

As filed with the Securities and Exchange Commission on May 2, 2008

Registration No. 333-150478

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**Amendment No. 1 to
FORM S-1**
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TITAN MACHINERY INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

5080
(Primary Standard Industrial
Classification Code Number)

45-0357838
(I.R.S. Employer
Identification No.)

**4876 Rocking Horse Circle
Fargo, ND 58104-6049
(701) 356-0130**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David J. Meyer
Chairman and Chief Executive Officer
Titan Machinery Inc.
4876 Rocking Horse Circle
Fargo, ND 58104-6049
(701) 356-0130
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ☐

If this Form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller reporting company ☒

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount to	Proposed Maximum Offering	Proposed Maximum Aggregate	Amount of
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Securities to be Registered	be Registered(1)	Price per Share(2)	Offering Price(1)(2)	Registration Fee(3)
Common stock, par value \$0.00001	4,025,000 shares	\$22.81	\$91,810,250	\$3,616

- (1) Includes 525,000 shares of Common Stock issuable upon exercise of the underwriters' over-allotment option.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, based on the average of the high and low trading prices for the common stock as reported by the Nasdaq Global Market on April 23, 2008.
- (3) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until our registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 2, 2008

TITAN
MACHINERY

3,500,000 Shares

Common Stock

Titan Machinery Inc. is offering 3,000,000 shares and selling stockholders are offering 500,000 shares. Our common stock is traded on the Nasdaq Global Market under the symbol "TITN." On April 30, 2008, the last reported sale price of our common stock was \$18.21 per share.

	Per Share	Total
Price to public	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to Titan Machinery Inc.	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

The underwriters have a 30-day option to purchase up to 525,000 additional shares of common stock from us at the public offering price less the underwriting discount to cover over-allotments, if any. Delivery of the shares of common stock will be made on or about , 2008.

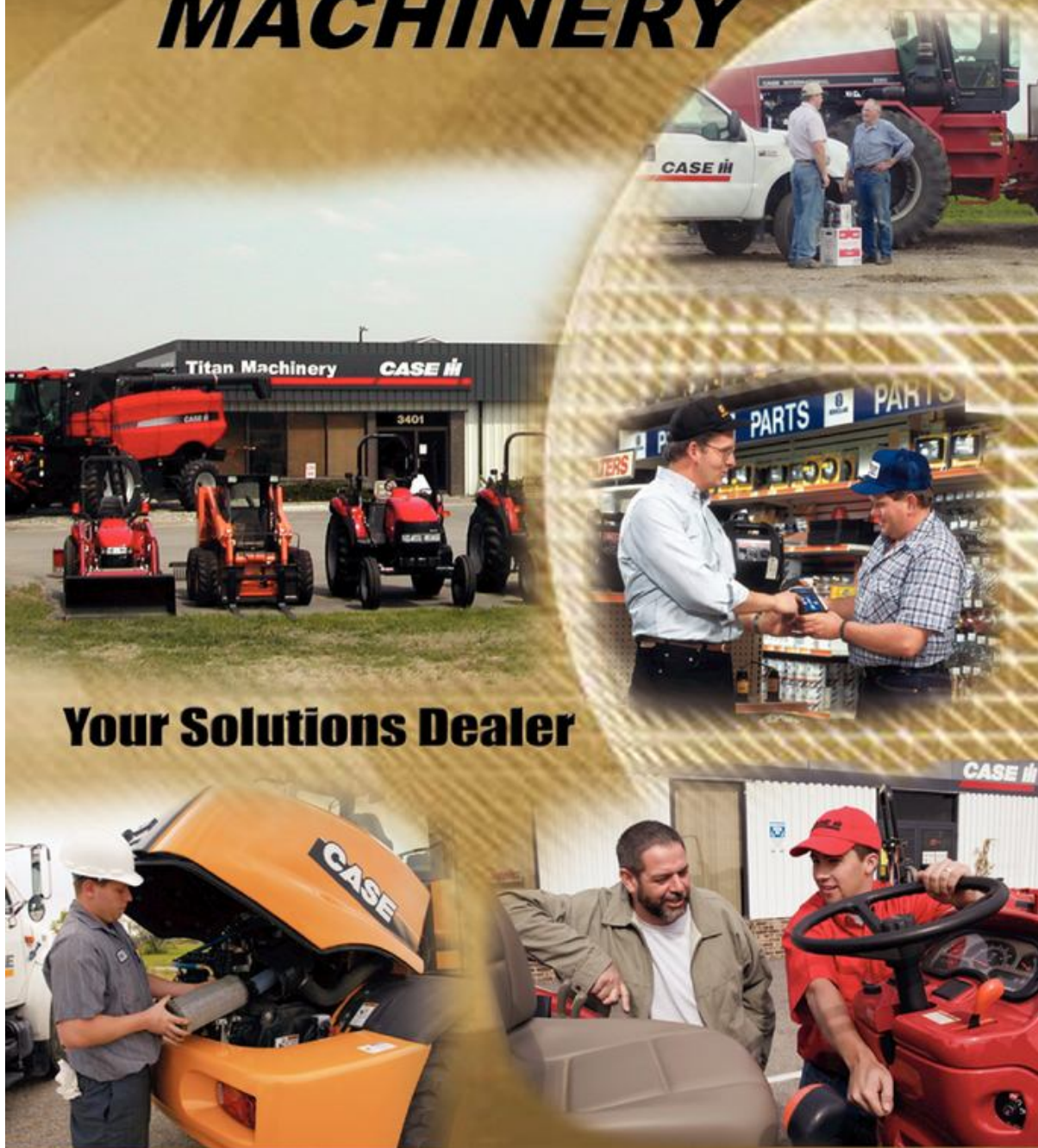
This investment involves risk. See "Risk Factors" beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Craig-Hallum Capital Group Robert W. Baird & Co.

The date of this prospectus is , 2008.

TITAN MACHINERY



Your Solutions Dealer

TABLE OF CONTENTS

	PAGE
Summary	1
Risk Factors	8
Information Regarding Forward-Looking Statements	17
Third Party Information	17
Use of Proceeds	18
Price Range of Common Stock	18
Dividend Policy	18
Capitalization	19
Selected Financial Data	20
Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Business	39
Management	57
Principal and Selling Stockholders	60
Description of Capital Stock	62
Shares Eligible for Future Sale	65
Underwriting	68
Legal Matters	69
Experts	69
Where You Can Find More Information	70
Incorporation of Documents by Reference	70
Index to Financial Statements	F-1

SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto accompanying this prospectus, before making an investment in our common stock.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover of this prospectus, but the information may have changed since that date.

Our Company

We own and operate what we believe is one of the largest networks of full-service agricultural and construction equipment stores in North America. Based upon information provided to us by CNH Global N.V. or its U.S. subsidiary CNH America LLC, collectively referred to in this prospectus as CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S.

The agricultural equipment we sell and service includes machinery and attachments for uses ranging from large-scale farming to home and garden use. The construction equipment we sell and service includes heavy construction and light industrial machinery for commercial and residential construction, road and highway construction and mining applications. We offer our customers a one-stop solution for their equipment needs through:

- new and used equipment sales;
- parts sales;
- repair and maintenance services; and
- equipment rental and other activities.

The new equipment and parts we sell are supplied primarily by CNH. We acquire used equipment for resale through trade-ins from our customers and selective purchases. We sell parts and provide in-store and on-site repair and maintenance services. We rent equipment and provide other ancillary services such as equipment transportation, GPS signal subscriptions and finance and insurance products.

Throughout our 28-year operating history, we have built an extensive, geographically contiguous network of 40 full-service stores and two outlet stores located in the upper Midwest. We have a successful history of growth through acquisitions, including 18 acquisitions consisting of 35 stores operating in four states since January 1, 2003, which includes four acquisitions consisting of five stores completed since our initial public offering on December 11, 2007. We have a well-established track record of successfully integrating acquired stores, retaining acquired-store employees and maintaining acquired-store customer relationships. We expect that acquisitions will continue to be an important component of our growth.

For the fiscal year ended January 31, 2008, our revenue increased 48% to \$433.0 million from \$292.6 million for the fiscal year ended January 31, 2007. For the fiscal year ended January 31, 2008, our net income increased 43% to \$5.2 million from \$3.6 million for the fiscal year ended January 31, 2007. The improvement in our profitability resulted primarily from acquisitions, growth in same-store sales and a manufacturer leasing program.

Our Industry

Our business is driven by the demand for agricultural equipment, which is purchased primarily for the production of food, fiber, feed grain and renewable energy. Based on USDA data, farmers are currently enjoying historically strong economic fundamentals, which is driven in part by growing global demand for agricultural commodities, due in part to renewable energy and economic growth in developing countries. IBISWorld data shows that total revenue for U.S. farm and garden equipment dealers was \$51.8 billion in 2006 and is projected to grow to \$53.5 billion by 2012, as adjusted for inflation.

In addition, our business is impacted by the demand for construction equipment, which is purchased primarily for private and government commercial, residential and infrastructure construction, including the energy and mining markets. CNH and industry reports show that demand for construction equipment in our markets is driven by several factors, including public infrastructure spending, including roads and highways, sewer and water. The Federal Highway Administration allocations to public infrastructure spending in the states in which we operate stores will increase from \$1.3 billion, or 3.9% of federal funding, in 2005 to \$1.6 billion, or 4.3% of federal funding, in 2009, as adjusted for inflation. IBISWorld data shows that total revenue for U.S. construction equipment dealers was \$72.4 billion in 2006 and is projected to grow to \$78.3 billion by 2012, as adjusted for inflation.

Our Business Strengths

We believe our business has the following key strengths:

Titan Operating Model. Through the Titan Operating Model, we empower leadership and share best practices at the store level while realizing efficiencies at the corporate level. We believe exceptional customer service is most efficiently delivered through accountable store employees who are supported by centralized administrative, finance and marketing functions.

Leading North American Equipment Provider with Significant Scale. We believe our size and large, contiguous geographic market provide us with several competitive advantages, including efficient inventory management, a large distribution network, and our ability to capitalize on crop diversification and disparate weather conditions throughout the large geographic area in which we operate stores.

Customer Focus at the Local Level. As part of the Titan Operating Model, we centralize general, administrative, finance and marketing functions. This strategy enables our store employees to focus exclusively on their customers and eliminates redundant operating expenses.

Superior Customer Service to Attract and Retain Customers. We believe our ability to respond quickly to our customers' demands is a key to profitable growth. We spend significant time and resources training our employees to effectively service our customers in each of our local markets, which we believe will increase our revenue.

Unique Entrepreneurial Culture to Attract and Retain Superior Employees. Our unique entrepreneurial culture empowers our employees to make decisions and act within the parameters of a proven operating process and system. The balance we maintain between our entrepreneurial spirit and standardized operations enables us to attract and retain superior employees who can work independently yet consistently throughout our company based on defined objectives and frequent feedback.

Diverse and Stable Customer Base to Avoid Market Volatility. We believe our large and diverse customer base of over 28,000 customers in fiscal 2008 limits our exposure to risks associated with customer concentration and fluctuations in local market conditions.

Experienced Management Team to Implement our Growth Strategy. Our executive team is led by David Meyer, our Chairman and Chief Executive Officer, and Peter Christianson, our President and Chief Financial Officer, who have approximately 33 and 29 years, respectively, of industry experience. Our store managers and field marketers also have extensive industry knowledge and experience.

Our Growth Strategy

We believe our business strengths will enable us to grow our business as we implement the following growth strategies:

Increase Market Share and Same-Store Sales. We focus on increasing our share of the equipment sold in our markets because our market share impacts current period revenue and compounds our revenue over the life of the equipment sold through recurring parts and service business. We seek to generate same-store sales growth and increase market share through significant marketing and advertising programs, supporting evolving technologies that are difficult for single-store operators to support, maintaining state-of-the-art service facilities and mobile service trucks and maximizing parts and equipment availability for our customers.

Make Selective Acquisitions to Grow Our Business. The agricultural and construction equipment industries are fragmented and consist of many relatively small, independent businesses servicing discrete local markets. We believe a favorable climate for dealership consolidation exists due to several factors, including the competitiveness of our industry, growing dealer capitalization requirements and lack of succession alternatives. We intend to evaluate and pursue acquisitions with the objectives of entering new markets, consolidating distribution within our established network and strengthening our competitive position. We also look to add construction stores in local markets in which we sell agriculture equipment but do not have construction dealership agreements with CNH.

Integrate New Dealers into the Titan Operating Model. We have developed the Titan Operating Model to optimize the performance and profitability of each of our stores. Upon consummation of each acquisition, we integrate acquired stores into our operations by implementing the Titan Operating Model and seeking to enhance each acquired store's performance within its target market.

Recent Developments

Since our initial public offering in December 2007, we have acquired four additional dealers, totaling five stores. Effective December 1, 2007, we acquired Reiten & Young International, Inc., resulting in the addition of one store in Grand Forks, North Dakota. On January 2, 2008, we acquired Avoca Operations, Inc. and Greenfield Operations, Inc., resulting in the addition of one store in Avoca, Iowa and one store in Greenfield, Iowa. On February 1, 2008, we acquired certain assets of Ceres Equipment Inc., resulting in the addition of one store in Roseau, Minnesota. On May 1, 2008, we acquired Quad County Implement, Inc., resulting in the addition of one store in Blairstown, Iowa. We have also made significant additions to our administrative operations, including the hiring of several regional managers, and significant additions to both our information technology and accounting staff.

Risk Factors

Our business is subject to a number of risks discussed under the heading "Risk Factors" and elsewhere in this prospectus. The principal risks facing our business include, among others, our substantial dependence upon our relationship with CNH, termination and other provisions in our agreements with CNH affiliates, economic conditions in the agriculture and construction industries, the availability of financing for the equipment we sell, our ability to execute our acquisition strategy, and competition in our industry. There are also several risks relating to this offering and the ownership of

our common stock. You should carefully consider these factors, as well as all of the other information set forth in this prospectus.

Corporate Information

We were incorporated as a North Dakota corporation in 1980 and reincorporated in Delaware in December 2007 prior to our initial public offering. Our executive offices are located at 4876 Rocking Horse Circle, Fargo, ND 58104-6049. Our telephone number is (701) 356-0130. We maintain a web site at www.titanmachinery.com. Our web site and the information contained on our web site shall not be deemed to be part of this prospectus.

The Offering

Common stock offered by us	3,000,000 shares
Common stock offered by the selling stockholders	500,000 shares
Common stock to be outstanding after this offering	16,443,810 shares
Over-allotment option	The underwriters have a 30-day option to purchase up to 525,000 additional shares of common stock from us.
Use of proceeds	We intend to use the net proceeds from this offering to fund future acquisitions of dealerships and for working capital and general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds" for additional information.
Nasdaq Global Market symbol	TITN

Unless otherwise indicated, the number of shares of our common stock that will be outstanding immediately after this offering is based on 13,443,810 shares of common stock outstanding as of April 10, 2008, and excludes:

- shares issuable under our 2005 Equity Incentive Plan, including 493,252 shares of common stock issuable upon the exercise of outstanding stock options (of which 49,085 are exercisable) at a weighted average exercise price of \$7.61 per share and 506,748 shares of common stock reserved for future issuances;
- 85,932 shares of common stock issuable pursuant to vesting of restricted stock grants; and
- 133,638 shares of common stock issuable upon the exercise of outstanding warrants (all of which are exercisable) at a weighted average exercise price of \$3.46 per share.

Except as otherwise noted, all information in this prospectus assumes:

- no exercise of the underwriters' over-allotment option; and
- an assumed offering price of \$18.21 per share (the last reported sale price of our common stock on April 30, 2008).

Summary Financial Data

The following tables set forth, for the periods and dates indicated, our summary financial data. The summary financial data as of and for our fiscal years ended January 31, 2008, 2007 and 2006 have been derived from our audited financial statements included elsewhere in this prospectus. The results included here and elsewhere in this prospectus are not necessarily indicative of future performance.

	Year ended January 31,		
	2008	2007	2006
(in thousands, except per share data)			
Statement of Operations Data:			
Revenue			
Equipment	\$ 338,382	\$ 220,958	\$ 175,549
Parts	58,743	42,619	31,099
Service	27,344	21,965	16,572
Other	8,502	7,056	5,250
	<u>432,971</u>	<u>292,598</u>	<u>228,470</u>
Cost of revenue			
Equipment	\$ 302,320	\$ 200,558	\$ 160,814
Parts	42,568	29,909	22,459
Service	10,118	8,183	6,404
Other	5,913	5,337	4,081
	<u>360,919</u>	<u>243,987</u>	<u>193,758</u>
Gross profit	72,052	48,611	34,712
Operating expenses	<u>53,190</u>	<u>37,399</u>	<u>26,978</u>
Income from operations	18,862	11,212	7,734
Other income (expense)			
Interest and other income	577	349	87
Floorplan interest expense	(3,812)	(3,294)	(2,296)
Other interest expense, including interest on subordinated debentures of \$559 in 2006, \$1,680 in 2007 and \$1,552 in 2008	(2,480)	(2,179)	(1,072)
Debt retirement costs	<u>(3,824)</u>	<u>—</u>	<u>—</u>
Income before income taxes	9,323	6,088	4,453
Provision for income taxes	<u>(4,110)</u>	<u>(2,450)</u>	<u>(1,721)</u>
Net income	\$ 5,213	\$ 3,638	\$ 2,732
Adjustment to income:			
Amortization of syndication fees-preferred stock (net of tax effect)	(51)	(21)	(21)
Unpaid accumulated preferred dividends	<u>(88)</u>	<u>(102)</u>	<u>(102)</u>
Income available to common stockholders	<u>\$ 5,074</u>	<u>\$ 3,515</u>	<u>\$ 2,609</u>

Earnings per share						
Basic	\$	0.90	\$	0.81	\$	0.60
Diluted	\$	0.67	\$	0.57	\$	0.47
Weighted average shares outstanding						
Basic		5,607		4,345		4,341
Diluted		8,246		6,907		6,317
Non-GAAP Data:						
Adjusted EBIT (unaudited)	\$	15,627	\$	8,267	\$	5,525

Adjusted EBIT

The adjusted EBIT measure presented consists of net income before (1) other interest expense, (2) provision for income taxes and (3) debt retirement costs. We are providing adjusted EBIT, a non-GAAP financial measure, along with GAAP measures, as a measure of income from operations because we believe interest and other income and floorplan interest expense are driven by decisions related to operating our business compared to other items of interest expense, which are associated with capitalizing our business. In addition, debt retirement costs are related to the one-time costs associated with repaying outstanding indebtedness with proceeds from our initial public offering. We believe that adjusted EBIT is meaningful information about our business operations that investors should consider along with our GAAP financial information. We use adjusted EBIT, as well as income from operations and net income, for planning purposes, including the preparation of internal operating budgets.

Adjusted EBIT is a non-GAAP measure that has limitations because it does not include all items of income and expense that impact our operations. This non-GAAP financial measure is not prepared in accordance with, and should not be considered an alternative to, measurements required by GAAP, such as operating income, net income, cash flow from continuing operating activities or any other measure of performance or liquidity derived in accordance with GAAP. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures.

The following is a reconciliation of our net income to adjusted EBIT:

	Year ended January 31,		
	2008	2007	2006
	(in thousands)		
Net income	\$ 5,213	\$ 3,638	\$ 2,732
Other interest expense	2,480	2,179	1,072
Provision for income taxes	4,110	2,450	1,721
Debt retirement costs	3,824	—	—
Adjusted EBIT	\$ 15,627	\$ 8,267	\$ 5,525

	January 31,		
	2008	2007	2006
	(in thousands)		
Balance Sheet Data:			
Cash	\$ 42,802	\$ 7,572	\$ 8,671
Inventories	145,767	106,254	81,631
Goodwill and intangibles, net	8,608	3,905	1,587
Total assets	239,369	138,872	105,083
Floorplan notes payable	105,848	84,699	61,908
Long-term liabilities	17,059	24,790	18,599
Total liabilities	163,251	123,814	93,834
Redeemable securities	—	1,680	1,556
Total stockholders' equity	76,117	13,378	9,693

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all the other information contained in this prospectus before you decide to buy our common stock. If any of the following risks related to our business actually occurs, our business, financial condition and operating results would be adversely affected. The market price of our common stock could decline due to any of these risks and uncertainties related to our business, or related to an investment in our common stock, and you may lose part or all of your investment.

Risks Related to Our Business

We are substantially dependent upon our relationship with CNH.

We are an authorized dealer of CNH agricultural and construction equipment and parts. In fiscal 2008, CNH supplied approximately 77.9% of the new equipment we sold and represented a significant portion of our parts revenue. Our acquisition strategy contemplates the acquisition of additional CNH geographic areas of responsibility and store locations in both the agricultural and construction equipment areas. We depend on CNH Capital America LLC, or CNH Capital, for floorplan financing to purchase a substantial portion of our inventory. In addition, CNH Capital provides a significant percentage of the financing used by our customers to purchase CNH equipment from us. CNH also provides incentive programs and discount programs from time to time that enable us to price our products more competitively. In addition, CNH conducts promotional and marketing activities on national, regional and local levels. Due to our substantial dependence on CNH, our success depends, in significant part, on (i) the overall reputation and success of CNH; (ii) the availability and terms of floorplan financing and customer financing from CNH Capital; (iii) the incentive and discount programs provided by CNH and its promotional and marketing efforts for its industrial and agricultural products; (iv) the goodwill associated with CNH trademarks; (v) the introduction of new and innovative products by CNH; (vi) the manufacture and delivery of competitively-priced, high quality equipment and parts by CNH in quantities sufficient to meet our customers' requirements on a timely basis; (vii) the quality, consistency and management of the overall CNH dealership system; and (viii) the ability of CNH to manage its risks and costs, including those associated with being a multinational company. If CNH does not provide, maintain or improve any of the foregoing, or if CNH were sold or reduced or ceased operations, there could be a material adverse effect on our financial condition and results of operations.

CNH may terminate its dealership agreements with us or change the terms of those agreements, which could adversely affect our business.

Under our dealership agreements with CNH through CNH America LLC, CNH's U.S. manufacturing entity, CNH entities have the right to terminate these agreements immediately in certain circumstances, and, in some cases, for any reason 90 days following written notice. Furthermore, CNH entities may change the terms of their agreements with us, among other things, to change our sales and service areas and/or the product, pricing or delivery terms. CNH routinely conducts evaluations of dealership standards, customer satisfaction surveys and market share studies, the results of which can impact the relationships with its dealers. CNH uses the evaluation results to increase or decrease the monetary rewards to dealers, or limit or expand the availability of financing, warranty reimbursements or other marketing incentives. If CNH were to change the terms of any or all of these agreements in a manner that adversely affects us, our business may be harmed, and if CNH were to terminate all or any of its dealer agreements with us, our business would be severely harmed.

Restrictions in our CNH dealership agreements may significantly affect our operations and growth and prevent a change in control of our company.

We operate our stores pursuant to CNH's customary dealership agreements. These agreements impose a number of restrictions and obligations on us with respect to our operations, including our obligations to actively promote the sale of CNH equipment within our designated geographic areas of responsibility, fulfill the warranty obligations of CNH, provide services to our customers, maintain sufficient parts inventory to service the needs of our customers, maintain inventory in proportion to the sales potential in each sales and service geographic area of responsibility, maintain adequate working capital and maintain stores only in authorized locations. Prior consent of CNH is required for the acquisition by another party of 20% or more of our outstanding stock and for our acquisition of other CNH dealerships; otherwise, CNH may terminate our dealership agreements. There can be no assurances that CNH will give its consent. The restrictions and obligations in our CNH dealership agreements limit our flexibility in operating our current stores and acquiring new stores, which could have an adverse effect on our operations and growth. Furthermore, the requirement that CNH consent to the acquisition by any party of 20% or more of our outstanding stock may have the effect of discouraging transactions involving a change in our control, including transactions that stockholders might deem to be in their best interests.

Our agricultural equipment dealer appointments are not exclusive to the geographic areas we serve, which could adversely affect our operations and financial condition.

CNH could appoint other agricultural equipment dealers in close proximity to our existing stores. The sales and service geographic areas of responsibility assigned to our dealerships can be enlarged or reduced by CNH upon 30 days' prior written notice. CNH and other agricultural equipment dealers can also sell in our sales and service geographic areas of responsibility. To the extent CNH appoints other agricultural equipment dealers within our markets, enlarges or reduces the sales and service geographic areas of responsibility relating to our stores, amends the dealership agreements or imposes new or different terms or conditions under the dealer agreements, our operations and financial condition could be adversely affected.

Our operating results may be adversely impacted by an under-supply of new equipment or an over-supply of used equipment.

If our suppliers cannot continue to provide us a reliable supply of new equipment, we may not be able to meet the our customers' demand and our operating results could be negatively impacted. In light of the current growing global demand for agricultural commodities and the equipment needed to produce those commodities, agricultural equipment suppliers may experience difficulty providing all dealerships a reliable supply of new agricultural equipment, which could adversely impact our results of operations. Further, an under-supply of equipment may cause prices for such equipment to increase. To the extent we cannot pass on any increased costs of equipment to our customers, our operating results may suffer. Conversely, an industry over-supply of used and rental equipment may also adversely affect our operations. Short-term lease programs and commercial rental agencies for construction and agricultural equipment have expanded significantly in North America. Nationwide rental conglomerates have become sizeable purchasers of new equipment and can have a significant impact on industry sales and margins. When equipment comes off of lease or is replaced with newer equipment by rental agencies, there may be a significant increase in the availability of late-model used equipment. An over-supply of used equipment could adversely affect demand for, or the market prices of, new and used equipment. In addition, a decline in used equipment prices could have an adverse effect on residual values for leased equipment, which could adversely affect our financial performance.

If our acquisition plans are unsuccessful, we may not achieve our planned revenue growth.

We believe a significant portion of our future growth will depend on our ability to acquire additional dealerships. Our ability to continue to grow through the acquisition of additional CNH geographic areas of responsibility and store locations or other businesses will be dependent upon the availability of suitable acquisition candidates at acceptable costs, our ability to compete effectively for available acquisition candidates and the availability of capital to complete the acquisitions. We may not successfully identify suitable targets, or if we do, we may not be able to close the transactions, or if we close the transactions, they may not be profitable. In addition, CNH's consent is required for the acquisition of any CNH dealership, and the consent of Bremer Bank National Association is required for the acquisition of any dealership. CNH typically evaluates management, performance and capitalization of a prospective acquirer in determining whether to consent to the sale of a CNH dealership. There can be no assurance that CNH or Bremer will consent to any or all acquisitions of dealerships that we may propose.

Our potential inability to successfully integrate newly-acquired dealerships may adversely affect our financial results.

Once an acquisition is completed, we face many other risks commonly encountered with growth through acquisitions. These risks include incurring significantly higher than anticipated capital expenditures and operating expenses; failing to assimilate the operations and personnel of the acquired dealerships; disrupting our ongoing business; dissipating our management resources; failing to maintain uniform standards, controls and policies; and impairing relationships with employees and customers as a result of changes in management. Fully integrating an acquired dealership into our operations and realization of the full benefit of our strategies, operating model and systems may take several years. There can be no assurance that we will be successful in overcoming these risks or any other problems encountered with such acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also will have a significant impact on our financial position and capital needs, and could cause substantial fluctuations in our quarterly and yearly results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings.

We have grown significantly through acquisitions in recent years and expect to continue to grow through acquisitions. Management has expended, and expects to continue to expend, significant time and effort in evaluating, completing and integrating acquisitions and opening new stores. There can be no assurance that our systems, procedures and controls will be adequate to support our expanding operations. Any future growth will also impose significant added responsibilities on our executives, including the need to identify, recruit and integrate new senior level managers and executives. There can be no assurance we will be able to identify and retain such additional management. If we are unable to manage growth efficiently and effectively, or are unable to attract and retain additional qualified management, there could be a material adverse effect on our financial condition and results of operations.

Substantial inventory financing is required for the equipment we sell but may not be available, which could adversely affect our growth and results of operations.

The sale of agricultural and construction equipment requires substantial inventories of equipment and parts to be maintained at each store to facilitate sales to customers on a timely basis. We generally purchase our inventories of equipment with the assistance of floorplan financing programs through CNH Capital and other lenders. As we grow, whether internally or through acquisitions, our inventory requirements will increase and, as a result, our financing requirements also will increase. Certain financing has been guaranteed by David Meyer, our Chairman and Chief Executive Officer. To the

extent that these guarantees were to be revoked or otherwise unavailable, we may not be able to maintain or obtain inventory financing. In the event that our available financing sources are not maintained or are insufficient to satisfy our future requirements, we would be required to obtain financing from other sources. There can be no assurance that additional or alternative financing could be obtained on commercially reasonable terms. To the extent additional financing cannot be obtained on commercially reasonable terms, our growth and results of operations could be adversely affected.

We lease most of our dealership sites from related parties, and if we are unable to obtain commercially reasonable terms and conditions from these related parties or unrelated third parties in the future, our growth and financial condition may be adversely affected.

We lease 25 of our 40 dealership sites from entities affiliated with David Meyer, our Chairman and Chief Executive Officer, Tony Christianson, one of our directors, or Peter Christianson, our President and Chief Financial Officer. We expect that we may lease future dealership sites we acquire from parties related to our affiliates. There is no guarantee that related parties will offer us commercially reasonable terms and conditions or that unrelated third parties will provide alternate dealership sites on commercially reasonable terms and conditions. If we cannot obtain commercially reasonable terms and conditions on leases for our current or future dealership sites from entities related to Messrs. Meyer, Tony Christianson or Peter Christianson, or from unrelated third parties, our growth and financial condition may be adversely affected.

Failure to properly manage our equipment inventory, our largest asset, would have a significant adverse effect on our operations.

Our equipment inventory has generally represented 50% or more of our total assets. Thus, our success is significantly dependent upon our ability to manage the supply and cost of new and used equipment. The pricing of equipment can be highly volatile and subject to negotiation, particularly in the used equipment market. Pricing for and sales of used equipment can be significantly affected by the limited market for such equipment. Further, liquidation prices of used agricultural and construction equipment can have significant fluctuations due to economic cycles, utilization trends and degree of specialization. We are dependent upon the ability of our management and buyers to negotiate acceptable purchase prices, to affect a proper balance of new and used equipment and to manage the amount of equipment in inventory to assure quick turnover. Our failure to manage our inventory and equipment costs could materially adversely affect our results of operations and financial condition.

Adverse changes in the agricultural industries could result in decreases in purchases of agricultural equipment and harm our revenue and profitability.

Our business depends to a great extent upon general activity levels in the agricultural industries. Changes in farm income and farmland value, the level of worldwide farm output and demand for farm products, commodity prices, animal diseases and crop pests, and limits on agricultural imports are all material factors that could adversely affect the agricultural industries and result in a decrease in the amount of agricultural equipment that our customers purchase. The nature of the agricultural equipment industries is such that a downturn in demand can occur suddenly, resulting in excess inventories, un-utilized production capacity and reduced prices for new and used equipment. These downturns may be prolonged and our revenue and profitability would be harmed.

Adverse changes in governmental agricultural policies, including decreases in farm subsidies, may reduce demand for agricultural equipment and cause our revenue to decline.

Changes in governmental agricultural policy could adversely affect sales of agricultural equipment. Government subsidies influence demand for agricultural equipment. Proposals for a new farm bill and the 2008 USDA budget, if adopted, may reduce the amount of payments to individual farmers. We

cannot predict the outcome of these proposals, and to the extent that these proposals reduce payments to individual farmers, these proposals, if adopted, could reduce demand for agricultural equipment and we could experience a decline in revenue.

Adverse changes in the construction industry could result in decreased demand for construction equipment and harm our revenue.

General economic conditions in markets in which we do business can impact the demand for our construction equipment. The construction industry in our geographical areas has experienced recent instances of economic down cycles and interest rate fluctuations that have affected the new residential housing market, which negatively impacts sales of light construction equipment. Decreased demand for our products can have a negative impact on our financial performance and cash flow. Our business and earnings are impacted by the changes in the residential construction industry. The ability of consumers to obtain mortgages for the purchase of newly constructed homes impacts the overall demand for new home construction. The uncertainties created by recent events in the sub-prime mortgage market and their impact on the overall mortgage market, including the tightening of credit standards, could adversely affect the ability of consumers to obtain financing for the purchase of new homes, thus reducing demand for new construction and in turn reducing our customers' demand for our construction equipment. Reduced demand for our construction equipment can negatively affect our financial performance and cash flow.

Climate fluctuations may negatively impact the agricultural and construction equipment markets and harm our sales.

Weather conditions, particularly severe floods and droughts, can have a significant impact on the success of regional agricultural and construction markets and, therefore, the economic conditions of the regions in which we operate stores. Accordingly, our financial condition and results of operations may be materially and adversely affected by any adverse cyclical trends or weather conditions. Our quarterly operating results are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment, parts and service purchases by our customers. A significant increase in the severity of weather cycles could increase the volatility of our results of operations and impact our financial condition. If we acquire businesses in geographic areas other than where we currently have operations, we may be affected more by the above-mentioned or other seasonal and equipment buying trends.

Our results of operations may fluctuate from period to period due to interest rate adjustments.

The ability to finance affordable purchases, of which the interest rate charged is a significant component, is an important part of a customer's decision to purchase agricultural or construction equipment. Interest rate increases may make equipment purchases less affordable for customers and, as a result, our revenue and profitability may decrease as we manage excess inventory and reduce prices for equipment. To the extent we cannot pass on our increased costs of inventory to our customers, our net income may decrease. Partially as a result of the foregoing, our results of operations have in the past and in the future are expected to continue to fluctuate from quarter to quarter and year to year. We are unable to anticipate the timing and impact of interest rate adjustments. Recently, the sub-prime and alternative mortgage markets have been receiving negative attention, resulting in tighter lending standards throughout the mortgage industry and overall credit markets. This volatility in the credit markets may have a negative impact on our business by making it more difficult for certain of our customers to obtain financing to purchase agricultural or construction equipment. Conversely, the recent decreases in interest rates may positively affect a customer's decision to purchase agricultural or construction equipment. We are unable to predict with certainty any positive or negative affect on our business as a result of the recent interest rate decreases.

Aggressive pricing competition could adversely affect our results of operation and growth.

The agricultural and construction equipment sales and distribution industries are highly competitive and fragmented, with large numbers of companies operating on a regional or local scale. Historically, our competitors have competed aggressively on the basis of pricing or inventory availability, resulting in decreased margins on our sales to the extent we choose to match our competitors' downward pricing. To the extent we choose not to match or remain within a reasonable competitive distance from our competitors' pricing, it could also have an adverse impact on our results of operations, as we may lose sales volume. In addition, to the extent CNH's competitors provide their dealers with more innovative or higher quality products, better customer financing, or have more effective marketing efforts, our ability to compete and financial condition and results of operations could be adversely affected.

We are substantially dependent on our Chief Executive Officer and President, the loss and replacement of whom could have a material adverse effect on our business.

We believe our success will depend to a significant extent upon the efforts and abilities of David Meyer, our Chairman and Chief Executive Officer, and Peter Christianson, our President and Chief Financial Officer. The employment relationships with both Mr. Meyer and Mr. Christianson are terminable by us or each of them at any time for any reason. The loss of the services of one or both of these persons and other key employees could have a material adverse effect on our operating results.

Selling agricultural and construction equipment and parts subjects us to product liability risks that could adversely affect our financial condition and reputation.

Products sold or serviced by us may expose us to potential liabilities for personal injury or property damage claims relating to the use of such products. There can be no assurance that we will not be subject to or incur any liability for such claims in the future. There can be no assurance that our product liability insurance will be adequate to cover product liability claims. There also can be no assurance that such insurance will continue to be available on economically reasonable terms. An uninsured or partially insured claim for which indemnification is not provided could have a material adverse effect on our financial condition. Furthermore, if any significant claims are made against us or against CNH or any of our other suppliers, our business may be adversely affected by any resulting negative publicity. In addition, one of the stores we recently purchased sells firearms, which may subject us to certain liabilities associated with the sale of firearms.

Risks Relating to this Offering and Ownership of Our Common Stock

Our common stock price may be volatile and you may not be able to resell your shares at or above the price you paid for your shares.

You may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering. The stock markets have been extremely volatile. The risks related to our company discussed above, as well as the public's reaction to our public announcements, changes in research analysts' recommendations and decreases in market valuations of similar companies, could cause the market price of our common stock to decrease significantly from the price you pay in this offering. Further, the price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price.

In addition, securities class action litigation often has been initiated when a company's stock price has fallen below the company's public offering price soon after the offering closes or following a period of volatility in the market price of the company's securities. If class action litigation is initiated against us, we would incur substantial costs and our management's attention would be diverted from our

operations. All of these factors could cause the market price of our stock to decline, and you may lose some or all of your investment.

Future sales of our common stock by our existing stockholders could cause our stock price to decline.

If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of our common stock could also depress the market price of our common stock. Stockholders holding an aggregate of 5,672,104 shares prior to this offering are subject to lock-up agreements that restrict their ability to transfer their shares of our common stock. The market price of shares of our common stock may decrease significantly when the restrictions on resale by certain of our existing stockholders lapse. In addition, we have an effective registration statement covering 1,000,000 shares of our common stock issuable under our 2005 Equity Incentive Plan. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities, and may cause you to lose part or all of your investment in our shares of common stock.

We have broad discretion in the use of the proceeds of this offering and may apply the proceeds in ways with which you do not agree.

Our net proceeds from this offering will be used, as determined by management in its sole discretion, for working capital and general corporate purposes, including possible acquisitions of dealers of CNH products. We have not, however, determined the allocation of these net proceeds among the various uses described in this prospectus. Our management will have broad discretion over the use and investment of these net proceeds, and, accordingly, you will have to rely upon the judgment of our management with respect to our use of these net proceeds, with only limited information concerning management's specific intentions. You will not have the opportunity, as part of your investment decision, to assess whether we use the net proceeds from this offering appropriately. We may place the net proceeds in investments that do not produce income or that lose value, which may cause our stock price to decline.

Our directors and executive officers will continue to have substantial control over us after this offering and could limit your ability to influence the outcome of key transactions, including changes of control.

We anticipate that our executive officers and directors and entities affiliated with them will, in the aggregate, beneficially own 32.2% of our outstanding common stock following the completion of this offering, assuming the underwriters do not exercise their over-allotment option. Our executive officers, directors and affiliated entities, if acting together, would be able to control or influence significantly all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other significant corporate transactions. These stockholders may have interests that differ from yours, and they may vote in a way with which you disagree and that may be adverse to your interests. In particular, David Meyer, our Chairman and Chief Executive Officer, will own over 19% of our outstanding capital stock following the completion of this offering. As such, he alone is able to exercise significant influence over matters requiring approval by the stockholders, including the election of directors and approval of significant corporate transactions. The concentration of ownership of our common stock may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and may affect the market price of our common stock. This concentration of ownership of our common stock may also have the effect of influencing the completion of a change in control that may not necessarily be in the best interests of all of our stockholders.

Our charter documents and Delaware law may inhibit a takeover that stockholders consider favorable.

Provisions of our certificate of incorporation and bylaws and applicable provisions of Delaware law may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. These provisions:

- permit our board of directors to issue up to 5,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be changed by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our board of directors into three classes;
- provide that directors may only be removed for cause by the holders of at least two-thirds of the voting power of the shares eligible to vote for directors;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice; and
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose).

In addition, Section 203 of the Delaware General Corporation Law generally limits our ability to engage in any business combination with certain persons who own 15% or more of our outstanding voting stock or any of our associates or affiliates who at any time in the past three years have owned 15% or more of our outstanding voting stock. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock. See "Description of Capital Stock—Anti-Takeover Provisions."

You will experience immediate and substantial dilution in the net tangible book value of the common stock you purchase in this offering.

If you purchase shares of our common stock in this offering, you will experience immediate dilution of \$10.99 per share (based on the assumed offering price of \$18.21 per share, the last reported sale price of our common stock on April 30, 2008), because the price that you pay will be substantially greater than the adjusted net tangible book value per share of common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the price of the shares being sold in this offering when they purchased their shares of our capital stock. A \$1.00 increase or decrease in the assumed public offering price of \$18.21 per share would increase or decrease, as applicable, the dilution per share you experience by \$0.17 per share. In addition, if

outstanding options to purchase our common stock are exercised, you will experience additional dilution.

We can issue shares of preferred stock without stockholder approval, which could adversely affect the rights of common stockholders.

Our charter documents permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our stockholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that may be issued in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common stockholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Being a public company has substantially increased our legal and financial compliance costs, which could harm our business, financial condition and results of operations.

Compliance with publicly-traded company regulations adversely impacts our resources. As a publicly-traded company, we are subject to rules and regulations that increase our legal and financial compliance costs, make some activities more time-consuming and costly, and divert our management's attention away from the operation of our business. These rules and regulations may make it more difficult and more expensive for us to maintain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, we may experience more difficulty attracting and retaining qualified individuals to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur as a result of these requirements or the timing of these costs. Furthermore, our current management has limited experience in running a public company. The costs of being public and the diversion of management's time and attention may have a material adverse effect on our business, financial condition and results of operations.

Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

We will be required to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC thereunder for fiscal 2009. If we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. We cannot be certain as to the timing of completion of our evaluation, testing and any remedial actions or their impact on our operations. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting, we may be unable to report our financial results accurately or in a timely manner and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. We have implemented actions relating to remediating past control deficiencies and will need to continue to take actions to improve our internal control system, which may include the hiring of additional personnel and incurring other costs. Any such actions could negatively affect our results of operations.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve known and unknown risks, uncertainties and other factors that may cause our results or our industry's actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information.

These important factors include those that we discuss under the heading "Risk Factors." You should read these risk factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus. We cannot assure you that the forward-looking statements in this prospectus will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. You should read this prospectus completely. Other than as required by law, we undertake no obligation to update these forward-looking statements, even though our situation may change in the future.

THIRD PARTY INFORMATION

All trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

We obtained industry and market data used throughout this prospectus through our research, surveys and studies conducted by third parties and industry and general publications. We have not independently verified market and industry data from third-party sources. While we believe internal company surveys are reliable and market definitions are appropriate, neither these surveys nor these definitions have been verified by any independent sources.

USE OF PROCEEDS

We estimate that the net proceeds from our sale of shares of common stock in this offering will be approximately \$51.3 million, or approximately \$60.3 million if the underwriters exercise their over-allotment option in full, based on the last reported sale price of our common stock on April 30, 2008, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Each \$1.00 increase or decrease in the assumed public offering price of \$18.21 per share would increase or decrease, as applicable, the net proceeds to us by approximately \$2.8 million (or approximately \$3.3 million if the underwriters exercise their over-allotment option in full), assuming the number of shares offered by us as set forth on the cover of this prospectus remains the same and after deducting estimated underwriting discounts and commissions payable by us.

We intend to use these net proceeds to fund potential acquisitions of CNH agricultural and construction equipment dealerships and for general corporate purposes, including working capital needs. We are not currently in negotiations for any acquisitions for which we intend to use the proceeds of this offering.

Pending the uses described above, we intend to invest the net proceeds of this offering in short- to medium-term, investment-grade, interest-bearing securities. We intend to use any interest earned by these investments for the purposes listed above.

PRICE RANGE OF COMMON STOCK

Our common stock has traded on the Nasdaq Global Market under the symbol "TITN" since it began trading on December 6, 2007. Our initial public offering was priced at \$8.50 per share. The following table sets forth, for the periods indicated, the high and low sales prices for our common stock as reported on the Nasdaq Global Market.

	High	Low
Fiscal 2008		
Fourth Quarter (from December 6, 2007)	\$ 17.40	\$ 9.48
Fiscal 2009		
First Quarter (through April 30, 2008)	\$ 24.50	\$ 14.66

On April 30, 2008, the last reported sale price of our common stock on the Nasdaq Global Market was \$18.21.

On April 10, 2008, we had approximately 38 holders of record of our common stock, excluding holders whose stock is held either in nominee name and/or street name brokerage accounts.

DIVIDEND POLICY

We have not historically paid any dividends on our common stock. We intend to retain our future earnings, if any, to finance the expansion and growth of our business. We do not expect to pay cash dividends on our common stock in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any. Currently, our credit facilities restrict our ability to pay cash dividends. In December 2007, we paid accrued cash dividends in the aggregate amount of \$441,028 upon the conversion of all of our outstanding preferred stock.

CAPITALIZATION

The following table sets forth our capitalization as of January 31, 2008:

- on an actual basis; and
- on an as adjusted basis to reflect our sale of shares in this offering at an assumed offering price of \$18.21 per share (the last reported sale price of our common stock on April 30, 2008), after deducting estimated underwriting discounts and commissions and offering expenses payable by us, and the application of the net proceeds from our sale of common stock in this offering. Each \$1.00 increase or decrease in the assumed public offering price of \$18.21 per share (the last reported sale price of our common stock on April 30, 2008) would increase or decrease, respectively, the as adjusted amount of cash, additional paid-in capital and total stockholders' equity in each case by approximately \$2,843, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable to us.

You should read this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes appearing elsewhere in this prospectus.

	As of January 31, 2008	
	Actual	As Adjusted
	(dollars in thousands)	
Cash	\$ 42,802	\$ 100,064
Floorplan notes payable(1)	\$ 105,848	\$ 105,848
Long-term debt:		
Senior term notes (including current maturities)	18,737	18,737
Subordinated debentures	1,300	1,300
Other debt	2,676	2,676
Total long-term debt	22,713	22,713
Stockholders equity:		
Undesignated preferred stock, \$0.00001 par value, 5,000,000 authorized, no shares issued and outstanding, actual and as adjusted	—	—
Common stock \$0.00001 par value, 30,000,000 shares authorized, 13,440,654 shares issued and outstanding, actual, 30,000,000 authorized and shares issued and outstanding, as adjusted	—	—
Additional paid-in capital	58,180	109,942
Retained earnings	17,937	17,937
Total equity	76,117	127,879
Total capitalization	\$ 204,678	\$ 256,440

(1) Approximately \$36.9 million of floorplan notes were interest-bearing.

SELECTED FINANCIAL DATA

You should read the following selected financial data together with our financial statements and the related notes appearing at the end of this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which follows immediately after this section. We derived the statement of operations data for the years ended January 31, 2004, 2005, 2006, 2007 and 2008, and the balance sheet data as of those dates, from our audited financial statements, which for the years ended January 31, 2006, 2007 and 2008 are contained elsewhere in this prospectus. Those statements were audited by Eide Bailly LLP, our independent registered public accounting firm. Our results are not necessarily indicative of the results we may achieve in any future period.

		Year Ended January 31,								
		2008	2007	2006	2005	2004				
		(in thousands, except per share data)								
Statement of Operations Data:										
Revenue										
Equipment	\$	338,382	\$	220,958	\$	175,549	\$	119,850	\$	66,091
Parts		58,743		42,619		31,099		25,058		18,897
Service		27,344		21,965		16,572		13,141		9,940
Other		8,502		7,056		5,250		4,134		2,527
		432,971		292,598		228,470		162,183		97,455
Cost of revenue										
Equipment	\$	302,320	\$	200,558	\$	160,814	\$	109,023	\$	60,287
Parts		42,568		29,909		22,459		18,402		13,401
Service		10,118		8,183		6,404		5,236		3,717
Other		5,913		5,337		4,081		3,119		1,864
		360,919		243,987		193,758		135,780		79,269
Gross profit		72,052		48,611		34,712		26,403		18,186
Operating expenses		53,190		37,399		26,978		22,596		16,609
Income from operations		18,862		11,212		7,734		3,807		1,577
Other income (expense)										
Interest and other income		577		349		87		144		48
Interest expense		(6,292)		(5,473)		(3,368)		(1,693)		(1,346)
Debt retirement costs		(3,824)		—		—		—		—
Income before income taxes		9,323		6,088		4,453		2,258		279
Provision for income taxes		(4,110)		(2,450)		(1,721)		(911)		(115)
Income from continuing operations		5,213		3,638		2,732		1,347		164
Discontinued operations		—		—		—		(75)		—
Net income	\$	5,213	\$	3,638	\$	2,732	\$	1,272	\$	164
Adjustment to income:										
Amortization of syndication fees—preferred stock		(51)		(21)		(21)		(19)		(14)
Unpaid accumulated preferred dividends		(88)		(102)		(102)		(90)		(59)
Income available to common stockholders	\$	5,074	\$	3,515	\$	2,609	\$	1,163	\$	91
Earnings per share										
Basic	\$	0.90	\$	0.81	\$	0.60	\$	0.27	\$	0.02
Diluted	\$	0.67	\$	0.57	\$	0.47	\$	0.24	\$	0.02
Weighted average shares outstanding										
Basic		5,607		4,345		4,341		4,341		4,341
Diluted		8,246		6,907		6,317		6,106		4,348

	January 31,				
	2008	2007	2006	2005	2004
	(in thousands)				
Balance Sheet Data:					
Cash	\$ 42,802	\$ 7,572	\$ 8,671	\$ 1,108	\$ 1,937
Receivables	22,061	10,921	5,794	4,969	3,084
Inventories	145,767	106,254	81,631	66,569	34,381
Prepaid expenses	215	186	33	45	50
Income tax receivable	1,074	—	—	—	—
Deferred income taxes	1,027	462	423	321	288
Goodwill and intangibles, net	8,608	3,905	1,587	1,227	1,280
Property and equipment	16,023	8,175	5,327	3,559	2,235
Other assets	1,792	1,397	1,617	1,308	1,413
Total assets	\$ 239,369	\$ 138,872	\$ 105,083	\$ 79,106	\$ 44,668
Accounts payable	\$ 9,244	\$ 4,228	\$ 5,488	\$ 3,227	\$ 3,316
Line of credit	—	—	—	2,644	400
Floorplan notes payable(1)	105,848	84,699	61,908	51,617	20,721
Current maturities of long-term debt	5,654	2,824	1,532	1,113	1,139
Customer deposits	19,310	4,608	4,015	2,135	3,641
Accrued expenses	6,137	2,287	1,942	1,023	914
Income taxes payable	—	378	350	691	61
Total current liabilities	146,193	99,024	75,235	62,450	30,192
Long-term liabilities	15,759	8,043	4,405	4,948	4,442
Subordinated debentures	1,300	16,747	14,194	3,492	3,492
Redeemable securities	—	1,680	1,556	1,433	927
Total stockholders' equity	76,117	13,378	9,693	6,783	5,615
	\$ 239,369	\$ 138,872	\$ 105,083	\$ 79,106	\$ 44,668

(1) Approximately 35% of floorplan notes payable were interest bearing at January 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Selected Financial Data and our financial statements and the accompanying notes. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in "Risk Factors" and "Information Regarding Forward-Looking Statements" included elsewhere in this prospectus.

Overview

We own and operate what we believe is one of the largest networks of full service agricultural and construction equipment stores in North America. Based upon information provided to us by CNH Global N.V. or its U.S. subsidiary CNH America LLC, collectively referred to in this prospectus as CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S.

The agricultural equipment we sell and service includes machinery and attachments for uses ranging from large-scale farming to home and garden use. The construction equipment we sell and service includes heavy construction and light industrial machinery for commercial and residential construction, road and highway construction and mining applications. We offer our customers a one-stop solution for their equipment needs through:

- new and used equipment sales;
- parts sales;
- repair and maintenance services; and
- equipment rental and other activities.

The new equipment and parts we sell are supplied primarily by CNH. According to public reports filed by CNH, CNH is a leading manufacturer and supplier of agricultural and construction equipment based on the number of units sold, primarily through the Case IH Agriculture, New Holland Agriculture, Case Construction and New Holland Construction brands. Sales of new CNH products accounted for approximately 77.9% of our new equipment revenue in fiscal 2008, with no other supplier accounting for more than 3%. We acquire used equipment for resale through trade-ins from our customers and selective purchases. We sell parts and provide in-store and on-site repair and maintenance services. We rent equipment and provide other ancillary services such as equipment transportation, GPS signal subscriptions and finance and insurance products.

Throughout our 28-year operating history we have built an extensive, geographically contiguous network of 40 full service stores and two outlet stores located in the upper Midwest. We have a successful history of growth through acquisitions, including 18 acquisitions consisting of 35 stores operating in four states since January 1, 2003. We have a well-established track record of successfully integrating acquired stores, retaining acquired-store employees and maintaining acquired-store customer relationships. We expect that acquisitions will continue to be an important component of our growth.

Certain External Factors Affecting our Business

We are subject to a number of factors that affect our business as discussed in the sections entitled "Risk Factors" and "Information Regarding Forward-Looking Statements." Certain of the external factors include, but are not limited to, the following:

Industry Factors

Our business is primarily driven by the demand for agricultural equipment for use in the production of food, fiber, feed grain and renewable energy; home and garden applications; and the maintenance of commercial, residential and government properties. Based on USDA data, we believe farmers are currently enjoying historically strong economical fundamentals, driven by growing global demand for agricultural commodities in part due to growth in renewable energy and the economies of developing countries. We believe our operating model, as discussed in "Business—Titan Operating Model," enables us to maximize opportunities presented by strong economic fundamentals in the agricultural industries. Thus, we also expect to enjoy strong economic fundamentals by expanding existing stores and acquiring additional stores.

Additionally, our business is impacted by the demand for construction equipment for use in private and government commercial, residential and infrastructure construction; demolition; maintenance; mining and forestry operations. CNH and industry reports show that demand for construction equipment in our markets is driven by several factors, one of which is public infrastructure spending, including roads and highways, sewer and water. The projected growth in federal allocations to public infrastructure spending over the next few years, as stated by the U.S. Department of Transportation, should positively impact our future results of operations. However, an offsetting factor may be the recent declines in residential and commercial real estate development to the extent such declines continue. To address the uncertainty of the construction industry, we expect to continue our focus on agricultural industries and acquisition opportunities to establish additional locations in the markets where we believe the local construction industry will maintain its current level or grow.

If the positive trends in the agricultural industries cease to continue, we believe we would be in a position to operate efficiently. Our large and diverse customer base and four state geographic footprint limits our exposure to negative trends that may occur in a particular area or crop. Our management also implements a conservative expenditure philosophy that emphasizes scalable costs, which we believe positions us to operate efficiently in the event of a significant downturn in the agricultural industries.

Seasonality

Our quarterly operating results are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment, parts and service purchases by our customers. A significant increase in the severity of weather cycles could increase the volatility of our results of operations and impact our financial condition. If we acquire businesses in geographic areas other than where we currently have operations, we may be affected more by the above-mentioned or other seasonal and equipment buying trends.

Economic Cyclicity

Sales of equipment, particularly new units, historically have fluctuated with general economic cycles. During economic downturns, equipment retailers tend to experience similar periods of decline and recession as the general economy. The impact of an economic downturn on retailers is generally less than the impact on manufacturers due to the sale of parts and service by retailers to maintain customer equipment. As noted above, the agricultural industries are in a positive economic cycle from which we expect to benefit.

Credit Market Changes

Changes in credit markets can affect our customers' ability and willingness to make capital expenditures, including purchasing our equipment. Creditors have recently heightened their lending standards, we believe in part due to difficulties in the sub-prime mortgage market. Heightened lending standards may have a negative impact on our business if our customers are unable to obtain financing for equipment purchases. However, if interest rates continue to decrease, as recently occurred, our business may be positively affected by customers who find financing purchases of our equipment more attractive due to lower borrowing costs. We cannot predict what future changes will occur in credit markets or how these changes will impact our business.

Inflation

Inflation has not had a material impact upon operating results and we do not expect it to have such an impact in the future. To date, in those instances in which we have experienced cost increases, we have been able to increase selling prices to offset such increases. There can be no assurance, however, that our business will not be affected by inflation or that we can continue to increase our selling prices to offset increased costs and remain competitive.

Acquisitions

We have a successful history of growth through acquisitions. Since January 1, 2003, we have completed 18 acquisitions consisting of 35 stores operating in four states. These acquisitions have been the most significant factor affecting our results of operations and liquidity over the last several years, as noted in the period-to-period comparisons below. We expect that acquisitions will continue to be an important component of our growth. Acquisitions are typically financed with floorplan debt, long-term debt and cash from operations. Although we cannot quantify the impact of any such potential acquisitions, we believe the nature of their impact on our financial statements to be similar to that experienced with our prior acquisitions as noted in our discussions of period comparisons.

The following is a summary of acquisitions completed during the identified periods.

Fiscal 2009

- On May 1, 2008, we acquired Quad County Implement, Inc., resulting in the addition of one store in Blairstown, Iowa.
- On February 1, 2008, we acquired certain assets of Ceres Equipment Inc., resulting in the addition of one store in Roseau, Minnesota.

Fiscal 2008

- On January 2, 2008, we acquired Avoca Operations, Inc. and Greenfield Operations, Inc., resulting in the addition of one store in Avoca, Iowa and one store in Greenfield, Iowa.
- On December 1, 2007, we acquired Reiten & Young International, Inc., resulting in the addition of one store in Grand Forks, North Dakota.
- On November 13, 2007, we acquired certain assets of Twin City Implement, Inc., resulting in the addition of one store in Mandan, North Dakota.
- On August 1, 2007, we acquired all of the outstanding stock of Red Power International, Inc., resulting in the addition of two stores located in Ada and Crookston, Minnesota. We subsequently merged Red Power into our company.

- On April 13, 2007, we acquired certain assets of Aberdeen Equipment Co., Huron Equipment Co. and Redfield Equipment Co., three related dealerships, resulting in the addition of three stores located in Aberdeen, Huron and Redfield, South Dakota.
- On February 3, 2007, we acquired certain assets of Richland County Implement, Inc., resulting in the addition of one store located in Wahpeton, North Dakota.

Fiscal 2007

- On June 15, 2006, we acquired certain assets of Piorier Equipment Company, Inc. and RAJ Equipment, its related entity, resulting in the addition of four stores located in Sioux City, Iowa, Marshall, Minnesota and Rapid City and Sioux Falls, South Dakota.
- On March 31, 2006, we acquired all of the outstanding stock of Farm Power, Inc. of Minnesota and its wholly-owned subsidiary, Fergus International, Inc., resulting in the addition of two stores located in Elbow Lake and Fergus Falls, Minnesota. In addition, as of the same date, we purchased the inventory of FPI Leasing, an entity related to Farm Power through common ownership. We subsequently merged Farm Power into our company.

Fiscal 2006

- On November 1, 2005, we acquired certain assets of Vern Anderson, Inc., resulting in the addition of four stores located in Anthon, Cherokee, Kingsley and Le Mars, Iowa.
- On November 1, 2005, we assumed management of the operations of a dealership formerly owned by Waltermann Implement, Inc. located in Dike, Iowa. We subsequently acquired certain assets of the dealership and as of December 31, 2006 began to operate it as one of our stores.
- On May 16, 2005, we acquired certain assets of H.C. Clark Implement Co., Inc., resulting in the addition of a store located in Aberdeen, South Dakota.
- On March 1, 2005, we acquired certain assets of Smith International, Inc., resulting in the addition of a store located in Waverly, Iowa.

Critical Accounting Policies and Estimates

During the preparation of our financial statements, we are required to make estimates, assumptions and judgments that affect reported amounts. These estimates, assumptions and judgments include those related to bad debts and credit sales, inventories, goodwill and intangibles, income taxes and legal proceedings, revenue recognition, allowance for doubtful accounts, inventory reserves, incentive plan accruals, deferred taxes and stock-based compensation. We update these estimates, assumptions and judgments as appropriate, which in most cases is at least quarterly. We use our technical accounting knowledge, cumulative business experience, judgment and other factors in the selection and application of our accounting policies. While we believe our estimates, assumptions and judgments we use in preparing our financial statements are appropriate, they are subject to factors and uncertainties regarding their outcome and therefore, actual results may materially differ from these estimates. We believe the following are our primary critical accounting policies and estimates.

Revenue Recognition

Revenue on equipment and parts sales is recognized upon delivery of product to customers. Rental and service revenue is recognized at the time the related services are provided. In addition to outright sales of new and used equipment, certain rental agreements may include rent-to-purchase options. Under these agreements, customers are given a period of time to exercise an option to purchase the related equipment, with a portion of the rental payments being applied to the purchase price. This

equipment is included in inventory until the purchase option is exercised. Rental revenue is recognized during the rental period, with equipment sales revenue being recognized upon the exercise of the purchase option.

Inventories

New and used machinery are stated at the lower of cost (specific identification method) or market with adjustments for decreases in market value on inventory rented but available for sale being a percentage (80%) of the rental income received on such inventory. Equipment held specifically for lease is reported as inventory held for rental. Parts inventory is valued at the lower of average cost or market, and parts inventory not expected to be sold in the next operating cycle has been reported separately. Typically, there are no freight-in charges, except in cases of special orders where such freight-in charges are included in the cost of inventory.

Intangible Assets and Goodwill

Goodwill is reviewed for possible impairment at least annually, or more frequently upon the occurrence of events or circumstances that may affect its fair value. As of January 31, 2008, the carrying value of goodwill was not considered impaired. Intangible assets include covenants not-to-compete that are being amortized using the straight-line method over the lives of the related agreements, which range from five to 15 years.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventory, property and equipment, intangible assets, stock-based compensation, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Our policy is to recognize interest expense and penalties related to income tax matters within our provision for income taxes.

Stock-Based Compensation

We accounted for stock options in accordance with the provisions of the Financial Accounting Standards Board (FASB) Statement No. 123 (Revised), *Share-Based Payments*. Statement FAS 123(R) requires that share-based compensation, which includes stock options, be accounted for at the fair value of the applicable equity instrument. We utilized the Black Scholes option pricing model to value stock options.

Key Financial Metrics

In addition to tracking our sales and expenses to evaluate our operational performance, we also monitor certain key financial metrics, including absorption and same-store sales.

Absorption

Absorption is an industry term that refers to the percentage of an equipment dealer's fixed operating expense covered by the gross margin of its combined parts and service businesses. Absorption in a given period is calculated by dividing our gross profit from parts and service sales in the period by the difference between (i) our operating expenses (including interest on floorplan notes) and (ii) our variable expense of sales commissions on equipment sales and incentive compensation in the same period. We believe that absorption is an important management metric because during economic down cycles our customers tend to postpone new and used equipment purchases while continuing to run,

maintain and repair their existing equipment. Thus, operating at a high absorption rate enables us to operate profitably throughout economic down cycles. We measure and track absorption on a company-wide basis as well as on a per store basis. For fiscal 2008, our company-wide absorption rate was 72.6%; for fiscal 2007, our company-wide absorption rate was 75.9%; and for fiscal 2006, our company-wide absorption rate was 74.4%.

Same-Store Sales

Same-store sales for any period represent sales by stores that were part of our company for the entire comparable period in the preceding fiscal year. We do not distinguish relocated or newly-expanded stores in this same-store analysis. Closed stores are excluded from the same-store analysis. We believe that tracking this metric is important to evaluating the success of the Titan Operating Model on a comparable basis.

Key Financial Statement Components

Revenue

Equipment. We derive equipment revenue from the sale of new and used agricultural and construction equipment.

Parts. We derive parts revenue from the sale of parts for equipment that we sell and rent, as well as for other equipment makes. Our parts sales provide us with a relatively stable revenue stream that is less sensitive to the economic cycles that affect our equipment sales.

Services. We derive services revenue from maintenance and repair services to our customers' equipment. Our repair and maintenance services provide a high-margin, relatively stable source of revenue through changing economic cycles.

Other. We derive other revenue from equipment rentals and ancillary equipment support activities such as equipment transportation, GPS signal subscriptions and reselling finance and insurance products.

Cost of Revenue

Equipment. Cost of equipment revenue is the lower of the acquired cost or the market value of the specific piece of equipment sold.

Parts. Cost of parts revenue is the lower of the acquired cost or the market value of the parts sold, based on average costing.

Service. Cost of service revenue represents costs attributable to services provided for the maintenance and repair of customer-owned equipment and equipment then on-rent by customers.

Other. Costs of other revenue represent costs associated with equipment rental, providing transportation, hauling, parts freight, GPS subscriptions and damage waivers, including, among other items, drivers' wages, fuel costs, shipping costs and our costs related to damage waiver policies.

Operating Expenses

Our operating expenses include sales and marketing expenses, sales commissions (which generally are based upon equipment gross profit margins), payroll and related benefit costs, insurance expenses, professional fees, property and other taxes, administrative overhead, and depreciation associated with property and equipment (other than rental equipment).

Floorplan Interest

The cost of financing inventory is an important factor affecting our results of operations. Floorplan financing from CNH Capital represents the primary source of financing for equipment inventories, particularly for equipment supplied by CNH. We also have credit facilities for financing of equipment inventories with Bremer Bank and GE Commercial Distribution Finance Corporation. Historically, approximately 80% to 90% of our inventory has been subject to floorplan financing. CNH regularly offers interest-free periods as well as additional incentives and special offers. Throughout the fiscal year ended January 31, 2008, approximately 67% of our equipment inventory was subject to non-interest bearing floorplan financing.

Other Interest Expense

Interest expense represents the interest on our outstanding debt instruments, other than floorplan financing facilities.

Results of Operations

Comparative financial data for each of our four sources of revenue for fiscal 2008, 2007 and 2006 are expressed below. The results of these periods include the operating results of the acquisitions made during these periods. The period-to-period comparisons included below are not necessarily indicative of future results.

	Year ended January 31,		
	2008	2007	2006
	(dollars in thousands)		
Equipment			
Revenue	\$ 338,382	\$ 220,958	\$ 175,549
Cost of revenue	302,320	200,558	160,814
Gross profit	\$ 36,062	\$ 20,400	\$ 14,735
Parts			
Revenue	\$ 58,743	\$ 42,619	\$ 31,099
Cost of revenue	42,568	29,909	22,459
Gross profit	\$ 16,175	\$ 12,710	\$ 8,640
Service			
Revenue	\$ 27,344	\$ 21,965	\$ 16,572
Cost of revenue	10,118	8,183	6,404
Gross profit	\$ 17,226	\$ 13,782	\$ 10,168
Other, including trucking and rental			
Revenue	\$ 8,502	\$ 7,056	\$ 5,250
Cost of revenue	5,913	5,337	4,081
Gross profit	\$ 2,589	\$ 1,719	\$ 1,169

The following table sets forth our statements of operations data expressed as a percentage of revenue for the periods indicated.

	Year ended January 31,		
	2008	2007	2006
Revenue			
Equipment	78.1%	75.5%	76.8%
Parts	13.6%	14.6%	13.6%
Service	6.3%	7.5%	7.3%
Other, including trucking and rental	2.0%	2.4%	2.3%
Total revenue	100%	100%	100%
Cost of Revenue			
Equipment	69.8%	68.6%	70.4%
Parts	9.8%	10.2%	9.8%
Service	2.4%	2.8%	2.8%
Other, including trucking and rental	1.4%	1.8%	1.8%
Total cost of revenue	83.4%	83.4%	84.8%
Gross profit	16.6%	16.6%	15.2%
Operating expenses	12.3%	12.8%	11.8%
Income from operations	4.3%	3.8%	3.4%

Fiscal Year Ended January 31, 2008 Compared to Fiscal Year Ended January 31, 2007

Revenue

	Fiscal year ended January 31, 2008	Fiscal year ended January 31, 2007	Increase	Percent change
(dollars in thousands)				
Total revenue	\$ 432,971	\$ 292,598	\$ 140,373	48.0%
Equipment	\$ 338,382	\$ 220,958	\$ 117,424	53.1%
Parts	\$ 58,743	\$ 42,619	\$ 16,124	37.8%
Service	\$ 27,344	\$ 21,965	\$ 5,379	24.5%
Other, including trucking and rental	\$ 8,502	\$ 7,056	\$ 1,446	20.5%

The increase in revenue was primarily due to the following three items: acquisitions, same-store sales growth and a manufacturer leasing program. The acquired stores contributed \$74.6 million in additional total revenue, or 53.1% of the increase, while the leasing program transactions totaled \$22.4 million, or 16.0%. Manufacturer leasing programs are offered from time to time but the frequency and terms of these programs cannot be predicted. The remaining increase of \$43.4 million is attributable to same-store sales growth of 16.8%, which is reflective of the strong market for our products, particularly in the area of equipment sales. We believe equipment sales were strong in fiscal 2008 due to the growth in global demand for agricultural commodities and the positive impact this commodity demand has had on farm income. We anticipate favorable market conditions will, at a minimum, continue into the first half of fiscal 2009, assuming normal weather conditions.

Cost of Revenue

	Fiscal year ended January 31, 2008	Fiscal year ended January 31, 2007	Increase	Percent change
	(dollars in thousands)			
Total cost of revenue	\$ 360,919	\$ 243,987	\$ 116,932	47.9%
Equipment	\$ 302,320	\$ 200,558	\$ 101,762	50.7%
Parts	\$ 42,568	\$ 29,909	\$ 12,659	42.3%
Service	\$ 10,118	\$ 8,183	\$ 1,935	23.6%
Other, including trucking and rental	\$ 5,913	\$ 5,337	\$ 576	10.8%

The increase in cost of revenue of \$116.9 million was due to revenue increases attributable primarily to acquisitions, same-store sales growth and the leasing program, as noted above. Acquisitions contributed \$62.2 million to the cost of revenue, while the leasing program added another \$20.2 million, which is 53.2% and 17.3%, respectively, of the total increase in cost of revenue from the prior fiscal year. The remainder of the increase in cost of revenue is reflective of the increase in same-store sales. As a percentage of revenue, cost of revenue was 83.4% in fiscal 2008, matching the prior fiscal year's results.

Gross Profit

	Fiscal year ended January 31, 2008	Fiscal year ended January 31, 2007	Increase	Percent change
	(dollars in thousands)			
Total gross profit	\$ 72,052	\$ 48,611	\$ 23,441	48.2%
Equipment	\$ 36,062	\$ 20,400	\$ 15,662	76.8%
Parts	\$ 16,175	\$ 12,710	\$ 3,465	27.3%
Service	\$ 17,226	\$ 13,782	\$ 3,444	25.0%
Other, including trucking and rental	\$ 2,589	\$ 1,719	\$ 870	50.6%

Of the \$23.4 million increase in gross profit in fiscal 2008, acquisitions contributed \$12.4 million, which is 53.0% of the total increase in gross profit, while the leasing program added another \$2.2 million. Same-store gross profits provided the remainder of the gross profit improvement, primarily due to the increase in same-store sales. Total gross profit margins remained even at 16.6% for both fiscal 2008 and 2007. Normally, a higher percentage of equipment sales would cause total gross margins to decline, but equipment margins were high in fiscal 2008 relative to historical levels reflecting a significant increase in demand and partially enhanced by a manufacturer market share incentive bonus program. We recorded this incentive bonus in the fourth quarter of fiscal 2008 by achieving annual market share targets established by CNH for product lines within the regions in which we market our products. We expect to be eligible to receive a similar bonus in fiscal 2009 if we achieve certain market share goals.

Operating Expenses

	Fiscal year ended January 31, 2008	Fiscal year ended January 31, 2007	Increase	Percent change
	(dollars in thousands)			
Operating expenses	\$ 53,190	\$ 37,399	\$ 15,791	42.2%

The increase in operating expenses is primarily due to the additional costs associated with acquisitions. As a percentage of total revenue, operating expenses decreased to 12.3% in fiscal 2008 from 12.8% in fiscal 2007. This decrease was primarily driven by the strong sales in fiscal 2008 resulting in improved fixed operating expense utilization as a percentage of sales.

Other Income (Expense)

	Fiscal year ended January 31, 2008	Fiscal year ended January 31, 2007	Increase	Percent change
	(dollars in thousands)			
Interest and other income	\$ 577	\$ 349	\$ 228	65.3%
Floorplan interest expense	\$ (3,813)	\$ (3,294)	\$ 519	15.8%
Interest expense	\$ (2,480)	\$ (2,179)	\$ 301	13.8%
Debt retirement costs	\$ (3,824)	\$ 0	\$ 3,824	N/A%

Floorplan interest expense increased \$0.5 million due to higher levels of floorplan debt in fiscal 2008 compared to fiscal 2007. The higher floorplan debt is driven by increased equipment inventory levels resulting from acquisitions. The \$300,000 increase in interest expense was due to additional long-term debt incurred primarily in connection with acquisitions.

In conjunction with our December 2007 initial public offering, we exchanged or converted all \$6.4 million in aggregate principal amount of our outstanding convertible subordinated debentures for 2,308,648 shares of our common stock and retired \$9.4 million in subordinated debentures. As a result of these transactions, we recognized debt retirement costs of \$3.8 million in the fourth quarter of fiscal 2008. This debt reduction will result in lower interest expense in fiscal 2009.

Provision for Income Taxes

	Fiscal year ended January 31, 2008	Fiscal year ended January 31, 2007	Increase	Percent change
	(dollars in thousands)			

Provision for income taxes	\$ 4,110	\$ 2,450	\$ 1,660	67.8%
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The effective tax rate as a percentage of income before taxes increased to 44.1% in fiscal 2008 from 40.2% in fiscal 2007. The increase resulted from an unrecognized tax benefit of \$420,000 in the fourth quarter of fiscal 2008. If we recognize this tax benefit in the future, our effective tax rate will be favorably impacted.

Fiscal Year Ended January 31, 2007 Compared to Fiscal Year Ended January 31, 2006

Revenue

	Fiscal year ended January 31, 2007	Fiscal year ended January 31, 2006	Increase	Percent change
	(dollars in thousands)			
Total revenue	\$ 292,598	\$ 228,470	\$ 64,128	28.1%
Equipment	\$ 220,958	\$ 175,549	\$ 45,409	25.9%
Parts	\$ 42,619	\$ 31,099	\$ 11,520	37.0%
Service	\$ 21,965	\$ 16,572	\$ 5,393	32.5%
Other, including trucking and rental	\$ 7,056	\$ 5,250	\$ 1,806	34.4%

The increase in revenue is primarily due to the two acquisitions completed during fiscal 2007 described above. In addition, our revenue growth is reflective of the strong market for our products and resulting from the growth in the global demand for agricultural commodities, net farm income, governmental subsidies and public infrastructure spending. The fiscal 2007 acquisitions contributed \$34.9 million in total revenue, or 54.4% of the year-over-year increase. The remaining increase is attributable to the impact of having stores acquired in fiscal 2006 in our operating system for a full fiscal year and same-store sales growth. Same-store sales of \$194.6 million were recorded in fiscal 2007, representing a 5.1% increase compared to the sales by these stores in fiscal 2006. Same-store sales growth in fiscal 2007 was lower than in fiscal 2006 due to a significant decrease in equipment sales at

our then highest equipment volume store resulting from that store's change in sales practice away from high-volume, low-margin sales to a preferred strategy of focusing on higher-margin sales, which resulted in lower volume at that store.

Cost of Revenue

	Fiscal year ended January 31, 2007	Fiscal year ended January 31, 2006	Increase	Percent change
	(dollars in thousands)			
Total cost of revenue	\$ 243,987	\$ 193,758	\$ 50,229	25.9%
Equipment	\$ 200,558	\$ 160,814	\$ 39,744	24.7%
Parts	\$ 29,909	\$ 22,459	\$ 7,450	33.2%
Service	\$ 8,183	\$ 6,404	\$ 1,779	27.8%
Other, including trucking and rental	\$ 5,337	\$ 4,081	\$ 1,256	30.8%

The increase in cost of revenue is primarily due to the additional costs associated with the operation of newly acquired stores. The acquisitions made in fiscal 2007 contributed \$27.9 million to the cost of revenue for fiscal 2007, which is 55.6% of the total increase in cost of revenue year-over-year. The remainder of the increase in cost of revenue is due to inventory costs to support our higher sales. As a percentage of revenue, cost of revenue was 83.3% in fiscal 2007, compared to 84.8% in fiscal 2006. This percentage of revenue decrease is attributable to growth in the higher margin parts and services revenue relative to equipment revenue.

Gross Profit

	Fiscal year ended January 31, 2007	Fiscal year ended January 31, 2006	Increase	Percent change
	(dollars in thousands)			
Total gross profit	\$ 48,611	\$ 34,712	\$ 13,899	40.0%
Equipment	\$ 20,400	\$ 14,735	\$ 5,665	38.4%
Parts	\$ 12,710	\$ 8,640	\$ 4,070	47.1%
Service	\$ 13,782	\$ 10,168	\$ 3,614	35.5%
Other, including trucking and rental	\$ 1,719	\$ 1,169	\$ 550	47.0%

The fiscal 2007 acquisitions contributed \$7.0 million to gross profit, which is the primary reason for the increase over fiscal 2006. Also contributing to the gross profit improvement was the impact of having stores acquired in fiscal 2006 in our operating system for a full fiscal year and same-store sales growth. Gross profit margins were 16.7% in fiscal 2007, compared to 15.2% in fiscal 2006.

Operating Expenses

	Fiscal year ended January 31, 2007	Fiscal year ended January 31, 2006	Increase	Percent change
	(dollars in thousands)			
Operating expenses	\$ 37,399	\$ 26,978	\$ 10,421	38.6%

The increase in operating expenses is primarily due to the additional costs associated with acquisitions. As a percentage of total revenue, operating expenses increased to 12.8% in fiscal 2007 from 11.8% in fiscal 2006, primarily due to an increase in sales commissions based upon increased equipment gross profits. Other factors contributing to the increase in operating expenses include an increase in sales and other promotional activities and administrative costs in fiscal 2007.

Other Income (Expense)

	Fiscal year ended January 31, 2007	Fiscal year ended January 31, 2006	Increase	Percent change
	(dollars in thousands)			
Interest and other income	\$ 349	\$ 87	\$ 262	301.2%
Floorplan interest expense	\$ (3,294)	\$ (2,296)	\$ 998	43.5%
Interest expense	\$ (2,179)	\$ (1,072)	\$ 1,107	103.3%

The increase in interest and other income is attributable to acquisitions made in fiscal 2007 increasing our total amount of debt. The primary reason for the increase in floorplan interest expense is the increased amount of floorplan debt related to inventory that we incurred in fiscal 2007. Of the increase in floorplan interest expense, \$475,000 is attributable to additional inventory related to stores acquired in fiscal 2007 and \$523,000 is attributable to additional inventory related to the other stores. The primary reason for the increase in interest expense relates to the issuance of \$7.5 million of subordinated debt to CNH Capital and additional long-term debt primarily in connection with acquisitions.

Provision for Income Taxes

	Fiscal year ended January 31, 2007	Fiscal year ended January 31, 2006	Increase	Percent change
	(dollars in thousands)			
Provision for income taxes	\$ 2,450	\$ 1,721	\$ 729	42.4%

The effective tax rate as a percentage of income before taxes increased to 40.2% in fiscal 2007 from 38.6% in fiscal 2006. Our effective tax rate reflects the full federal and state statutory rates on taxable income. Variations in the effective tax rate reflect the changing mix of sales made in states with different tax rates.

Liquidity and Capital Resources*Cash Flow From Operating Activities*

During fiscal 2008, our operating activities provided net cash flow of \$12.5 million. Our cash flows from operations were primarily the result of our reported net income of \$5.2 million, non-cash adjustments to net income for depreciation of \$2.4 million and for debt retirement costs of \$2.4 million, an increase in customer deposits of \$14.7 million and an increase in accrued expenses of \$3.5 million. These operating cash inflows were principally offset by an increase in receivables of \$8.5 million, an increase in inventories of \$3.2 million and a decrease in floorplan payables of \$4.4 million. The large increase in customer deposits and receivables is representative of our growth through acquisitions and strong fiscal 2008 fourth quarter activity.

During fiscal 2007, our operating activities provided net cash flow of \$6.5 million. Our cash flows from operations were primarily the result of our reported net income of \$3.6 million, a receivables increase of \$5.1 million and an inventory increase of \$286,000, which were offset by an increase in floorplan notes payable (unrelated to acquisitions) of \$2.9 million, floorplan notes payable (related to acquisitions) of \$4.9 million and an increase in customer deposits of \$594,000.

Cash Flow From Investing Activities

During fiscal 2008, cash used for investing activities was \$16.3 million. Our cash used for investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$10.1 million and property and equipment purchases of \$6.3 million. Our property and equipment

purchases in fiscal 2008 were higher than the prior fiscal year primarily due to the purchase of a designated rental fleet of \$2.8 million.

During fiscal 2007, cash used for investing activities was \$14.0 million. Our cash used for investing activities related to purchases of equipment dealerships (net of cash purchased) of \$12.1 million and property and equipment purchases of \$2.0 million. This was partially offset by net proceeds from equipment disposals of \$120,000.

Cash Flow From Financing Activities

During fiscal 2008, cash provided by financing activities was \$39.1 million. Cash provided by financing activities was primarily the result of \$41.8 million in net proceeds from our initial public offering. Partially offsetting these proceeds were principal payments on long-term debt exceeding proceeds from long-term debt by \$2.3 million.

During fiscal 2007, cash provided by financing activities was \$6.4 million. Cash provided by financing activities was primarily the result of proceeds from long-term debt borrowings and subordinated debentures related to acquisitions of \$5.4 million, proceeds from fixed asset financing related to acquisitions of \$1.6 million, proceeds from long-term debt borrowings and subordinated debentures unrelated to acquisitions of \$1.3 million and an increase in the net change in non-manufacturer floorplan payables of \$203,000. Partially offsetting the cash provided by financing activities were principal payments on long-term debt of \$2.1 million and an increase in subordinated debt interest accruals of \$202,000.

Debt Facilities

Bremer Bank Credit Facility. We currently have a credit facility with Bremer that provides for a \$2.0 million floorplan line of credit, a \$12.0 million operating line of credit and two term loans in the aggregate amount of \$10.0 million. The floorplan and operating lines of credit each have a variable interest rate of 0.25% per annum below the prime rate. The term debt has an 8% per annum fixed interest rate. The floorplan and operating lines of credit require monthly payments of interest due and have maturity dates of August 1, 2008, and the two term loans require aggregate monthly payments of principal and interest of \$202,000 and have maturity dates of August 2012 and December 2012. The Bremer credit facility is secured by a personal guarantee of our Chief Executive Officer. As of January 31, 2008, we had no amount outstanding on the Bremer operating line of credit, \$9.4 million outstanding on the term debt and \$350,000 of outstanding floorplan financing. The Bremer credit facility contains various restrictive covenants that require prior consent of Bremer if we desire to make any loans or advances to any person. In addition, the Bremer credit facility restricts our ability to incur indebtedness or liens, places restrictions on our ability to merge or consolidate with any person, or sell, lease, assign, transfer or otherwise dispose of any of our assets other than in the ordinary course of business. In addition, the consent of Bremer is required for the acquisition of any dealership.

CNH Capital Credit Facility. We currently have a credit facility with CNH Capital that provides for an aggregate principal balance of up to \$200.0 million for floorplan financing. The CNH Capital facility also provides for term loans, which typically have one to three year terms. The interest rate under the CNH Capital floorplan line of credit is equal to the prime rate plus 0.3% per annum for most purposes, subject to any interest-free periods offered by CNH. The CNH Capital term loans and loans for certain purposes have an interest rate equal to the prime rate plus 1.6% per annum. Cumulative and unpaid balance of advances under the CNH Capital credit facility accrues interest each month and requires monthly payments. The expiration date for the CNH Capital credit facility is August 31, 2008, with annual renewals through August 31, 2012, unless earlier terminated. The CNH Capital credit facility is secured by all of our assets. As of January 31, 2008, we had approximately \$97.1 million outstanding on the CNH Capital credit facility. The CNH Capital credit facility contains

various restrictive covenants that require prior consent of CNH Capital if we desire to engage in any acquisition of, consolidation or merger with any other business entity in which we are not the surviving company; move any collateral outside of the U.S.; or sell, rent, lease or otherwise dispose or transfer any of the collateral, other than in the ordinary course of business. CNH's consent is also required for the acquisition of any CNH dealership. In addition, the CNH Capital credit facility restricts our ability to incur any liens upon any substantial part of our assets.

Other Indebtedness with CNH Capital. CNH Capital periodically provides loans for fixed asset financing in connection with acquisitions. Related to this acquisition financing, we have various term loans with CNH Capital. The aggregate principal amount of these terms loans was approximately \$1.2 million at January 31, 2008. We also obtained various fixed rate notes with rates ranging from 3.25% to 10.35% and variable rate notes at prime plus 0.3% from CNH, which are secured by our designated rental fleet. The amount of our rental fleet notes as of January 31, 2008, was \$1.9 million. Finally, we periodically incur indebtedness with CNH in the form of parts term notes when we acquire new dealerships. These notes typically have terms of 1.5 to 3.0 years and either bear no interest or bear interest at variable rates. At January 31, 2008, we had approximately \$3.1 million in parts term notes outstanding.

GE Credit Facility. We currently have a credit facility with GE, whereby GE may make loans to us from time to time to purchase inventory from GE-approved vendors and for other working capital purposes. The credit limit on the GE facility is \$5.0 million. The GE facility has a variable, transaction-based interest rate that has typically been equal to the prime rate plus 0.25% per annum. The GE facility is secured by all of our equipment inventory that is financed by the GE facility, as well as our accounts receivable, deposit accounts and our other assets. The GE credit facility contains various restrictive covenants that require prior consent of GE if we desire to engage in the sale, consignment or other disposal of any collateral financed by GE outside of the ordinary course of business, merge or consolidate with any other entity, or move any collateral outside of the U.S.

Certain Other Debt. In connection with various acquisitions, we have issued subordinated debentures in an aggregate principal amount of \$1.3 million. These debentures bear interest at 9% or 10% per annum and mature in March 2010, May 2010 and December 2010.

Sources of Liquidity

Our primary sources of liquidity are cash reserves, cash flow from operations, proceeds from the issuance of debt and our borrowings under the Bremer, CNH Capital and GE credit facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

Adequacy of Capital Resources

Our primary uses of cash have been to fund our strategic acquisitions, finance the purchase of inventory, meet debt service requirements and fund operating activities, working capital, payments due under building space operating leases and manufacturer floorplans payable. The primary factors affecting our ability to generate cash and to meet existing, known or reasonably likely cash requirements are the timing and extent of acquisitions and our operating performance as impacted by (i) industry factors, which are currently positive, (ii) competition, (iii) general economic conditions and (iv) other business factors as identified in "Risk Factors."

For fiscal 2008 and 2007, we spent \$6.3 million and \$2.0 million on property and equipment, respectively, exclusive of acquisitions. Our property and equipment purchases in fiscal 2008 were higher than the prior fiscal year primarily due to the purchase of a designated rental fleet of \$2.8 million. While we do not have any material commitments for capital expenditures for fiscal 2009, we expect our

equipment expenditures, exclusive of acquisitions, for fiscal 2009 will decrease to approximately \$4.0 to \$5.0 million. The actual amount of our fiscal 2009 equipment expenditures will depend upon factors such as general economic conditions, growth prospects for our industry and our acquisition activity. We currently expect to finance equipment purchases with borrowings under the existing credit facilities, with available cash including from the proceeds of this offering or with cash flow from operations. We may need to incur additional debt if we pursue any future acquisitions.

Our ability to service our debt will depend upon our ability to generate the necessary cash. This will depend on our future acquisitions activity, operating performance, general economic conditions, and financial, competitive, business and other factors, some of which are beyond our immediate control. Based on our current operational performance, we believe our cash flow from operations, available cash and available borrowings under the existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months.

We cannot assure you, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available under the Bremer, CNH Capital and GE credit facilities in amounts sufficient to allow us to service our indebtedness and to meet our other commitments. If we are unable to generate sufficient cash flow from operations or to obtain sufficient future borrowings, we may be required to seek one or more alternatives such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. We cannot assure you that we will be able to succeed with one of these alternatives on commercially reasonable terms, if at all. In addition, if we pursue strategic acquisitions, we may require additional equity or debt financing to consummate the transactions, and we cannot assure you that we will succeed in obtaining this financing on favorable terms or at all. If we incur additional indebtedness to finance any of these transactions, this may place increased demands on our cash flow from operations to service the resulting increased debt. Our existing debt agreements contain restrictive covenants that may restrict our ability to adopt any of these alternatives. Any non-compliance by us under the terms of our debt agreements could result in an event of default which, if not cured, could result in the acceleration of our debt.

Certain Information Concerning Off-Balance Sheet Arrangements

As of January 31, 2008, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. In the normal course of our business activities, we lease rental equipment under operating leases.

Contractual and Commercial Commitment Summary

Our contractual obligations and commercial commitments as of January 31, 2008 are summarized below:

Contractual Obligations	Payments Due By Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
(dollars in thousands)					
Long-term debt obligations(1)	\$ 21,883	\$ 6,836	\$ 8,619	\$ 5,837	\$ 590
Operating lease obligations(2)	39,742	3,792	6,550	5,560	23,840
Other long-term liabilities(3)	1,632	146	1,486	—	—
Total	\$ 63,257	\$ 10,774	\$ 16,655	\$ 11,397	\$ 24,430

- (1) Includes obligations under notes payable issued in favor of our lenders and estimates of interest payable.
- (2) Includes rental payment obligations under operating leases related to our stores. Amounts do not include insurance, tax, or maintenance costs, which we include in operating expenses and which we estimate will be approximately \$442,656 for the less than 1 year period, \$780,564 for the 1-3 year period, \$819,661 for the 3-5 year period, and \$4,125,331 for the more than 5 years period, for a total of \$6,168,212. See Note 11 to our audited financial statements for a description of our operating lease obligations.
- (3) Includes outstanding amounts under our subordinated debentures and estimates of interest payable.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices such as interest rates. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. During fiscal 2008, we renegotiated or executed several new credit facilities. Many of these credit agreements are floating rate facilities now containing minimum rates of interest to be charged. We have also entered into fixed rate financing. Based upon balances and interest rates as of January 31, 2008, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately \$408,000. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to pre-tax earnings and cash flow of approximately \$408,000. At January 31, 2008, we had variable rate floorplan notes payable of \$105.8 million, of which approximately \$36.9 million was interest-bearing, variable notes payable and long-term debt of \$3.9 million, and fixed rate notes payable and long-term debt of \$16.1 million.

Our policy is not to enter into derivatives or other financial instruments for trading or speculative purposes.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. SFAS 157 is effective

for the fiscal year beginning after November 15, 2007. We are in the process of evaluating the effect that the adoption of this standard will have on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are in the process of evaluating the effect that the adoption of this standard will have on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations*. SFAS 141R provides additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are in the process of evaluating the effect that the adoption of this standard will have on our financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS 160 applies to all entities that prepare consolidated financial statements and have an outstanding noncontrolling interest in one or more subsidiaries. SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We are in the process of evaluating the effect that the adoption of this standard will have on our financial statements.

On December 21, 2007 the SEC staff issued Staff Accounting Bulletin No. 110, which, effective January 1, 2008, amends and replaces SAB 107, *Share-Based Payment*. SAB 110 expresses the views of the SEC staff regarding the use of a "simplified" method in developing the expected life assumption in accordance with FASB Statement No. 123(R), *Share-Based Payment*. The use of the "simplified" method, was scheduled to expire on December 31, 2007. SAB 110 extends the use of the "simplified" method in certain situations. The SEC staff does not expect the "simplified" method to be used when sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. We plan to track and capture employee exercise behavior in the future as a basis for our valuation assumptions. We currently use simplified estimates as no options have yet been exercised.

Our Company

Overview

We own and operate what we believe is one of the largest networks of full service agricultural and construction equipment stores in North America. Based upon information provided to us by CNH Global N.V. or its U.S. subsidiary CNH America LLC, collectively referred to in this prospectus as CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S. We sell and rent agricultural and construction equipment, sell parts, and service the equipment in the areas surrounding our stores.

The agricultural equipment we sell and service includes machinery and attachments for uses ranging from large-scale farming to home and garden use. The construction equipment we sell and service includes heavy construction and light industrial machinery for commercial and residential construction, road and highway construction and mining. We engage in four principal business activities:

- new and used equipment sales;
- parts sales;
- repair and maintenance services; and
- equipment rental and other activities.

The new equipment and parts we sell are supplied primarily by CNH. CNH is a leading manufacturer and supplier of agricultural and construction equipment, primarily through the Case IH Agriculture, New Holland Agriculture, Case Construction and New Holland Construction brands. We acquire used equipment for resale through trade-ins from our customers and selective purchases. We also sell parts and provide in-store and on-site repair and maintenance services. We also rent equipment and provide other ancillary services such as equipment transportation, GPS signal subscriptions and finance and insurance products.

We offer our customers a one-stop solution by providing equipment and parts sales, repair and maintenance services and rental functions in each store. Our full service approach provides us with multiple points of customer contact and substantial cross-selling opportunities. We believe our mix of equipment and recurring parts and service sales enables us to operate effectively throughout economic cycles. We also believe our significant scale, superior customer service, diverse and stable customer base, proven management reporting system and experienced management team provide us with a competitive advantage in many of our local markets.

Throughout our 28-year operating history we have built an extensive, geographically contiguous network of 40 full service stores and two outlet stores. Our agricultural equipment stores are located in highly productive farming regions, including the Red River valley in eastern North Dakota and northwestern Minnesota and western portions of the corn belt in Iowa, eastern South Dakota and southern Minnesota. Our construction equipment stores operate in markets where we also sell agriculture equipment and are located close to the growing regional trade centers of Fargo and Bismarck, North Dakota, and Rapid City and Sioux Falls, South Dakota, as evidenced by the increase in GDP for each area for the years 2001 through 2005 as reported by the Bureau of Economic Analysis of the U.S. Department of Commerce.

Our executives have extensive industry experience. David Meyer, our Chairman and Chief Executive Officer, founded our company in 1980. In 2002, we acquired two stores owned by C.I. Farm Power, Inc., a business owned by our President and Chief Financial Officer, Peter Christianson, which he co-founded in 1988. Based on our collective industry experience, we developed the Titan Operating

Model, which combines management accountability and decision-making at the store level with centralized, back-office support. In addition, our executives work closely with our store managers to develop the managers' industry knowledge and ensure these managers achieve operational excellence in line with our management philosophy.

We have a history of successful growth through acquisitions. Since January 1, 2003, we have completed 18 acquisitions consisting of 35 stores operating in four states, including four acquisitions consisting of five stores completed since our initial public offering on December 11, 2007. We have a well-established track record of successfully integrating acquired stores through the Titan Operating Model, retaining acquired-store employees and maintaining acquired-store customer relationships. We expect that acquisitions will continue to be an important component of our growth.

Industry Overview

Agricultural Equipment Industry

Agricultural equipment is purchased primarily for the production of food, fiber, feed grain and renewable energy. It is also purchased for home and garden applications and maintenance of commercial, residential and government properties. IBISWorld data reports that total revenue for U.S. farm and garden equipment dealers was \$51.8 billion in 2006 and is projected to grow to \$53.5 billion by 2012, as adjusted for inflation. Deere & Company, CNH and AGCO Corporation are the largest global manufacturers and supply a full line of equipment and parts that address the primary machinery requirements of farmers. In 2007, revenue from agriculture operations was \$12.1 billion for Deere & Company, \$9.9 billion for CNH and \$6.8 billion for AGCO. In addition to the major manufacturers, several short-line manufacturers produce specialized equipment that addresses regional and niche requirements of farmers. Agricultural equipment manufacturers typically grant dealers in the U.S. authorized store locations, not exclusive territories, to distribute their products.

According to IBISWorld reports, there are many factors that influence demand for agricultural equipment, parts and repair and maintenance services, including commodity prices, interest rates, general economic conditions and weather. Conditions can fluctuate drastically in a short time period, creating volatility in demand, especially for equipment, in a given year. Government subsidies also influence demand for agricultural equipment. Legislation, most notably the U.S. Farm Bill and the Farm Security and Rural Investment Act of 2002, attempts to stabilize the agriculture industry through USDA subsidies. USDA subsidies include (i) commodity programs consisting of direct, counter-cyclical and price support payments to farmers; (ii) conservation programs; and (iii) disaster relief programs. In 2006, total USDA subsidies in the U.S. equaled \$13.4 billion dollars, with \$2.8 billion paid to farmers in the states in which we operate stores: Iowa, Minnesota, North Dakota and South Dakota. We believe USDA subsidies reduce financial volatility and help ensure that farmers operate their farms and equipment during economic down cycles, thus stabilizing demand for equipment, replacement parts and repair and maintenance services.

Currently, the USDA reports that U.S. farmers are enjoying historically strong economic fundamentals. U.S. annual net farm income since 2000 has averaged \$61.1 billion, compared to average annual net farm income during the 1990s of approximately \$48 billion, as adjusted for inflation. In 2007, U.S. net farm income was \$88.6 billion and the USDA projects this amount to grow to \$99.4 billion by 2017, as adjusted for inflation. In addition, farm balance sheets are strong, with the average debt-to-asset ratio for U.S. farmers in 2007 equal to 9.9%, the lowest level since the late 1950s.

Growing global demand for agricultural commodities is primarily responsible for the current and projected strength of the U.S. farm economy. Many factors are contributing to growth in demand, including rapid expansion of ethanol and biodiesel production throughout the world and the growing economies of developing countries, most notably India and China. According to the USDA, in 2006, 2.2 billion bushels of corn, approximately 20.4% of the total U.S. crop, were used for ethanol

production. The USDA has stated that in 2007, the ethanol industry's consumption of corn is projected to grow 58% to 3.4 billion bushels, or 27% of the U.S. crop, and continue to grow to 4.9 billion bushels of corn by 2010. These large increases in ethanol production increase the demand for, and prices of, farm land and commodities. In addition, we believe the growing economies of developing countries will continue to increase demand for agricultural products.

Construction Equipment Industry

Construction equipment is purchased primarily for commercial, residential and infrastructure construction, as well as for demolition, maintenance, mining, energy production and forestry operations. The market for construction equipment is larger than the market for agricultural equipment and is segmented across multiple categories including earth moving, lifting, light industrial, asphalt and paving, and concrete and aggregate equipment. IBISWorld data reports that total revenue for U.S. construction equipment dealers was \$72.4 billion in 2006 and is projected to grow to \$78.3 billion by 2012, as adjusted for inflation. We believe Caterpillar, Inc., Komatsu Ltd., Deere & Company, CNH and Ingersoll-Rand Co. Ltd. are the largest global manufacturers of construction equipment. According to IBISWorld data in 2007, these companies generated revenue from their construction operations of \$42.0 billion for Caterpillar, \$18.4 billion for Komatsu, \$5.0 billion for Deere & Company, and \$5.0 billion for CNH. As in the agricultural equipment market, distribution of construction equipment in the U.S. is executed primarily by manufacturer authorized dealers; however, manufacturers' dealership agreements in the construction industry typically assign exclusive distribution territories.

Construction machinery is generally divided into heavy and light subgroups. Heavy machinery includes large wheel loaders, large tracked excavators, crawler dozers, motor graders and articulated haul trucks. Light machinery includes backhoe landscape tractors, forklifts, compact excavators and skid steers. Heavy machinery is generally purchased by construction companies, municipalities, local governments, rental fleet owners, quarrying and mining companies, waste management companies and forestry-related organizations. Typically, light machinery is purchased by contractors, rental fleet owners, landscapers, logistics companies, farmers and recreational users. Although demand for construction equipment is affected by weather and seasonal factors, it is usually less susceptible to seasonal changes than the agricultural equipment industry.

CNH and industry reports show demand for construction equipment in our markets is driven by several factors, one of which is public infrastructure spending, including roads and highways, sewer and water, as well as by public and private expenditures for the energy and mining industries. Data prepared by the U.S. Department of Transportation shows that Federal Highway Administration allocations to public infrastructure spending in the states in which we do business—Iowa, Minnesota, North Dakota and South Dakota—will increase from \$1.3 billion, or 3.9% of federal funding, in 2005 to \$1.6 billion, or 4.3% of federal funding, in 2009, as adjusted for inflation. Our business is also influenced by public and private expenditures for the energy and mining industries in the areas in which we operate. Demand for fossil fuels, as well as metals and other commodities, has grown considerably in recent years. We expect to benefit from the need for equipment to establish the infrastructure necessary to extract these natural resources, particularly in North Dakota, as consumer and wholesale consumption accelerates.

Titan Operating Model

We believe the Titan Operating Model is a key element to our continued success. Through the Titan Operating Model, we empower leadership and share best practices at the store level while realizing efficiencies at the corporate level. We believe exceptional customer service is most efficiently delivered through accountable store employees who are supported by centralized administrative, finance and marketing functions. By managing our business as a network of independent stores supported by a

centralized, shared resources group, we ensure coordination of the entire enterprise while promoting local business relationships on a store-by-store basis.

Strong Stores

Each of our stores is run by a store manager who is reviewed and compensated based on the store's achievement of revenue, profitability, market share and balance sheet objectives. Also, each store is typically staffed by a parts manager, a service manager and field marketers, all of whom report directly to the store manager. Under our operating model, decision-making for customer-related issues is decentralized, with each store manager responsible for matters such as the type of equipment to stock, equipment pricing, customer credit approvals, staffing levels and customer satisfaction. This operating model enables each trained and motivated store manager to concentrate on customers' equipment, parts and service needs, while our shared resources group manages the administrative functions of the store. We believe customers in our industry view store managers and sales and service personnel as important partners in operating their businesses. Therefore, we believe developing and supporting strong store managers enables us to grow same-store sales through fostering new relationships and further developing existing relationships with our customers. In addition, we believe other regional operators that choose to centralize customer-related decisionmaking at the corporate level risk undermining the partnership many customers seek to build with their dealer.

Shared Resources

Our shared resources group provides a range of services to support our stores, including warranty and service administration, information technology support, administration, marketing campaigns, human resources management, finance and insurance, central purchasing, accounting, data administration and cash management. We believe these functions can be run more efficiently when combined and provide more sophisticated tools to our store managers than an independent dealership could support alone. We maintain accountability on a daily basis through our management reporting systems, which provide data on key operational and financial metrics, as well as monthly reviews of financial performance. We believe the services provided by our shared resources group enables our stores to achieve a higher level of customer service by freeing them from certain general and administrative functions and a more competitive market presence at a lower cost than would be feasible if our stores operated independently. Furthermore, as we acquire new stores, we believe the shared services required to support these stores will grow at a lower rate than our overall growth in store count.

Management Development and Succession Planning

Our executives work closely with our store managers and mid-level corporate managers to ensure the managers benefit from our executives' industry knowledge and execute operational excellence in line with our management philosophy. We also conduct formal store manager meetings every month to assess operational and financial objectives, develop near-term strategies and share best practices across the organization. We believe the relationships between our executives, our store managers and mid-level corporate managers will sustain our financial success through continued implementation of our effective operating model, by providing a strong pool of capable successors to our current team of executives and store managers. Further, we have deliberately structured our store personnel with entrepreneurial individuals trained, including through our programs, to move up the management ladder. In addition, we sponsor a program with Minnesota State Technical College that offers scholarships to students who will ultimately work for us in various capacities empowered with the basic knowledge and tools to succeed. This program was the first of its kind among CNH dealers and is now being replicated elsewhere in the CNH network.

Business Strengths

In addition to the Titan Operating Model, we believe the following attributes of our business model and market position are important factors in our ability to compete effectively and achieve our long-term financial objectives:

Leading North American Equipment Provider with Significant Scale

According to CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S. We believe our size and large, contiguous geographic market provide us with several competitive advantages including:

- our ability to efficiently manage inventory by empowering each individual store with inventory management responsibility and access to our centralized inventory management system, thus allowing inventory exchanges among the stores, which permits us to maintain only the inventory deemed needed by each store while providing significant breadth of parts and equipment to our customers;
- our ability to use expanded sales channels, including used equipment listings and periodic auctions hosted on our website, which enables us to offer our customers alternative purchasing options; and
- our ability to sell inventory to customers in a large geographic area covering North Dakota, South Dakota, Iowa and Minnesota, which enables us to capitalize on crop diversification and disparate weather throughout this area.

Customer Focus at the Local Level

As part of the Titan Operating Model, we centralize general and administrative functions and finance resources. This strategy enables our store employees to focus exclusively on customers and eliminates redundant operating expenses. We also centralize our marketing resources to offer our stores and field marketers professional marketing support that includes targeted direct mailings, advertising with targeted local media outlets, participation in and sponsorship of trade shows and industry events, our Titan Trader monthly magazine, and our hosting of open houses, service clinics, equipment demonstrations, product showcases and customer appreciation outings. We believe this operating structure, which focuses on serving our customers on a local level, will allow us to increase market share.

Superior Customer Service to Attract and Retain Customers

We believe our ability to respond quickly to our customers' demands is a key to profitable growth. Our executives are committed to maintaining a customer-focused culture. We spend significant time and resources training our employees to effectively service our customers in each of our local markets, which we believe will increase our revenue. Our training program involves active participation in all manufacturer-sponsored training programs and the use of industry experts as consultants for customized training programs and a training team to assist in the integration of newly-acquired operations. We also partner with a local technical college to sponsor students who we plan to ultimately employ. In particular, the following capabilities enable us to better service our customers:

- our ability to staff a large number of highly-trained service technicians across our network of stores, which makes it possible to schedule repair services on short notice without affecting our technician utilization rates;

- our ability to staff and leverage product and application specialists across our network of stores, which makes it possible to offer valuable pre-sale and aftermarket services, including equipment training, best practices education and precision farming technology support; and
- our ability to innovate and lead our industry through initiatives such as Rural Tower Network, our joint venture with certain local Caterpillar and John Deere dealerships to deploy a GPS guidance system in support of precision farming in our core geographic market, which provides our customers with the latest advances in technology and operating practices.

Unique Entrepreneurial Culture to Attract and Retain Superior Employees

We created a unique entrepreneurial culture that empowers our employees to make decisions and act within the parameters of a proven operating process and system. We believe this culture and our size gives us a competitive advantage in attracting and retaining the best employees in our industry. We developed an operating system and process that provides our employees with defined objectives and frequent feedback of results within an entrepreneurial environment that allows them to work independently yet consistently throughout our company. Through this operating system and process we have established defined financial metrics on a balanced scorecard, which is used monthly with each store manager to assess performance. Each store manager is empowered to operate the individual store as appropriate within the guidelines set by the operating system and process. This balanced management philosophy enables our employees to understand clearly how they succeed in our organization and how to interact with customers who expect a level of autonomy from our employees. Our compensation system focuses on rewarding our employees for high performance, thus enabling us to retain most of those employees who perform at or above expectations. This system also enables us to attract talented individuals outside of our industry and train them to perform at a high level within a relatively short period of time.

Diverse and Stable Customer Base to Avoid Market Volatility

We believe our large and diverse customer base limits our exposure to risks associated with customer concentration and fluctuations in local market conditions. We have long and stable relationships with many of our customers. During fiscal 2008, we conducted business with over 28,000 customers and no customer accounted for more than 1.6% of our total revenue and our top ten customers combined represented approximately 6.5% of our total revenue. In addition, we believe current economic conditions for our customer base are historically strong. For example, U.S. annual net farm income since 2000 has averaged \$61.1 billion and the USDA projects an annual average of \$91.2 billion for the next 10 years. This compares to average U.S. annual net farm income during the 1990s of approximately \$48 billion. In addition, USDA reports indicate that farm balance sheets are strong, with the average debt-to-asset ratio for U.S. farmers in 2007 equal to 9.9%, the lowest level since the late 1950s. Our construction customers have multiple needs requiring equipment spending, including commercial construction, residential construction, local road, state and federal highway construction, commercial and government facilities maintenance and mining.

Proven Information Technology Systems

Our management reporting systems provide the data and reports that facilitate our ability to make informed decisions. We use these systems to actively manage our business and enable each store to access the available inventory of our other stores before ordering additional parts or equipment from our suppliers. As a result, we minimize our investment in inventory while promptly satisfying our customers' parts and equipment needs. Our customer relationship management system provides sales and customer information and other organizational tools to assist our field marketers, parts managers and service managers. In addition, our management reporting systems facilitate training and foster development of management personnel.

Our executive team is led by David Meyer, our Chairman and Chief Executive Officer, and Peter Christianson, our President and Chief Financial Officer, who have approximately 33 and 29 years, respectively, of industry experience. Our store managers and field marketers also have extensive knowledge and experience in our industry. In addition, we compensate, develop and review our store managers based on an approach that aligns their incentives with the goals and objectives of our company, including achievement of revenue, profitability, market share and balance sheet objectives. We believe the strength of our management team will help our success in the marketplace.

Growth Strategy

We believe our business strengths will enable us to grow our business as we continue to pursue the following growth strategies:

Increase Market Share and Same-Store Sales

We focus on increasing our share of the equipment sold in our markets because our market share impacts current period revenue and compounds our revenue over the life of the equipment sold through recurring parts and service business. We seek to generate same-store growth and increase market share through:

- employing significant marketing and advertising programs, including targeted direct mailings, advertising with targeted local media outlets, participation in and sponsorship of trade shows and industry events, our Titan Trader monthly magazine, and by hosting open houses, service clinics, equipment demonstrations, product showcases and customer appreciation outings;
- supporting and providing customers with training for evolving technologies, such as precision farming, that are difficult for single-store operators to support;
- maintaining state-of-the-art service facilities, mobile service trucks and trained service technicians to maximize our customers' equipment uptime through preventative maintenance programs and seasonal 24/7 service support; and
- utilizing our inventory system to maximize parts and equipment availability for our customers.

Make Selective Acquisitions

The agricultural and construction equipment industries are fragmented and consist of many relatively small, independent businesses servicing discrete local markets. We believe a favorable climate for dealership consolidation exists due to several factors, including the competitiveness of our industry, growing dealer capitalization requirements and lack of succession alternatives. We intend to evaluate and pursue acquisitions with the objectives of entering new markets, consolidating distribution within our established network and strengthening our competitive position.

We have a track record of completing and integrating acquisitions and have successfully used acquisitions to enter new markets, as demonstrated by the expansion of our agricultural business from the Red River valley region into the western portion of the corn belt and our entry into and expansion of our construction equipment business in four states where we also sell agriculture equipment. We look to add stores through acquisitions that offer attractive growth opportunities, high demand for the equipment we sell and services we offer, management strength, and contiguity with our existing geography. We also look to add construction stores in local markets in which we sell agriculture equipment but do not have construction dealership agreements with CNH. These factors have guided us to successful acquisition candidates. We believe our track record of successful acquisitions and expansion increases the probability that our future expansion will be profitable.

We believe that we are effectively able to identify attractive acquisition candidates due to our leadership position in the industry, our track record of completing and integrating acquisitions, and our contacts in and knowledge of our industry and geographic region. We regularly assess the acquisition landscape, evaluating potential acquisition candidates in terms of their availability and desirability to our long-term growth strategy. In addition, we believe acquisition economics in our industry have been and will continue to be conducive to executing our long-term growth strategy. Typically, we acquire only the fixed assets, working capital and selected inventory we believe are necessary to run an efficient store according to the Titan Operating Model and assume only the liabilities related to financing the inventory and working capital acquired. We, therefore, calculate our net purchase price of an acquisition as the value paid for the assets acquired less the amount of any liabilities assumed. Upon completion of an acquisition we seek to re-finance the inventory acquired according to the parts and floor plan financing parameters of the Titan Operating Model. In addition to the purchase price, we track the adjusted net purchase price of our acquisitions by subtracting any incremental parts inventory or floorplan financing incurred through re-financing the inventory according to the Titan Operating Model.

The aggregate net purchase price and adjusted net purchase price of the acquisitions we have completed since January 1, 2003 equals \$39.1 million and \$24.7 million, respectively. We estimate that the aggregate trailing twelve-month revenue and income before taxes at the time of acquisition for the acquisitions completed to date equals \$253.5 million and \$4.8 million, respectively. For the acquisitions that have at least one year of operating results under our management, the aggregate purchase price and implied net purchase price equals \$19.8 million and \$11.5 million, respectively. We estimate that the aggregate trailing twelve-month revenue and income before taxes at the time of acquisition for these locations was approximately \$134.0 million and \$2.8 million, respectively. The aggregate trailing twelve-month revenue and income before taxes as of January 31, 2008 for these same dealerships was approximately \$219.6 million and \$6.0 million, respectively. We intend to pursue acquisitions in the future that reflect economics similar to the aggregate economics summarized above. We believe our management team's experience in evaluating potential acquisition candidates helps them determine whether a particular dealership can be successfully integrated into our existing operations and enables them to structure mutually beneficial purchase terms.

The consent of CNH is required to acquire any CNH dealership, and the consent of Bremer is required for the acquisition of any dealership.

The following table summarizes our acquisition of 18 dealers, totaling 35 stores, since January 1, 2003:

Acquired Dealer	Location of Stores
Titan Machinery, LLC <i>January 2003</i>	Watertown, South Dakota Wahpeton, North Dakota Casselton, North Dakota Fargo, North Dakota
Krider Equipment Co., Inc. <i>January 2003</i>	Fargo, North Dakota Bismarck, North Dakota
Fargo Tractor & Equipment, Inc. <i>January 2003</i>	West Fargo, North Dakota
Consolidated Ag Service, Inc. <i>February 2004</i>	Graceville, Minnesota Marshall, Minnesota Pipestone, Minnesota
Smith International, Inc. <i>March 2005</i>	Waverly, Iowa
H.C. Clark Implement Co., Inc. <i>May 2005</i>	Aberdeen, South Dakota
Vern Anderson, Inc. <i>November 2005</i>	Anthon, Iowa Cherokee, Iowa Kingsley, Iowa Le Mars, Iowa
Walterman Implement, Inc. <i>November 2005</i>	Dike, Iowa
Farm Power, Inc. of Minnesota and related entities <i>March 2006</i>	Elbow Lake, Minnesota Fergus Falls, Minnesota
Piorier Equipment Company, Inc. and related entities <i>June 2006</i>	Sioux City, Iowa Marshall, Minnesota Rapid City, South Dakota Sioux Falls, South Dakota
Richland County Implement, Inc. <i>February 2007</i>	Wahpeton, North Dakota
Aberdeen Equipment Co., Huron Equipment Co. and Redfield Equipment Co. <i>April 2007</i>	Aberdeen, South Dakota Huron, South Dakota Redfield, South Dakota
Red Power International, Inc. <i>August 2007</i>	Ada, Minnesota Crookston, Minnesota
Twin City Implement, Inc. <i>November 2007</i>	Mandan, North Dakota
Reiten & Young International, Inc. <i>December 2007</i>	Grand Forks, North Dakota
Avoca Operations, Inc. and Greenfield Operations, Inc. <i>January 2008</i>	Avoca, Iowa Greenfield, Iowa
Ceres Equipment Inc. <i>February 2008</i>	Roseau, Minnesota
Quad County Implement, Inc. <i>May 2008</i>	Blairtown, Iowa

We have developed the Titan Operating Model to optimize the performance and profitability of each of our stores. Upon consummation of each acquisition, we integrate acquired stores into our operations by implementing the Titan Operating Model to enhance each acquired store's performance within its target market. We generally complete integration of a store in six to 18 months, although it may take several years before acquired stores fully realize the benefits of the Titan Operating Model. We believe the Titan Operating Model provides us with multiple points of customer contact, creates cross-selling opportunities, fosters strong customer relationships and supports a culture of individual accountability that increases our revenue and provides a strong platform for future growth.

Suppliers

CNH—Case IH Agriculture, Case Construction, New Holland Agriculture and New Holland Construction

We have a longstanding relationship with CNH and, according to CNH, are the world's largest retail dealer of Case IH Agriculture equipment. We have been an authorized dealer of Case agricultural equipment since the inception of our company in 1980 and added the other CNH brands as Case grew, acquired other brands and merged with New Holland in 1999 to form CNH. CNH supplied approximately 77.9% of the new equipment we sold in fiscal 2008 through CNH America LLC, CNH's U.S. manufacturing entity.

CNH is a global leader in the agricultural and construction equipment industries based on the number of units sold. In 2007, CNH had \$16.0 billion in worldwide revenue, with agricultural equipment accounting for approximately 62% and construction equipment accounting for approximately 34% of CNH's total revenue. In addition, CNH provides financing and insurance products and services to its end-user customers and authorized dealers through its CNH Capital business unit. CNH is a publicly-traded company and a majority-owned subsidiary of Fiat S.p.A.

CNH is the world's second largest manufacturer of agricultural equipment. CNH owns and operates the Case IH Agriculture and New Holland Agriculture brands. Case IH Agriculture, recognized by the red color of its equipment, possesses over 160 years of farm equipment heritage. New Holland Agriculture, recognized by the blue color of its tractors and the yellow color of its harvesting and hay equipment, has over 100 years of farm equipment industry experience. CNH's agricultural equipment dealers are assigned authorized store locations but do not have exclusive territories.

CNH is the world's fifth largest manufacturer of construction equipment in terms of market share, owning and operating the Case Construction, New Holland Construction and Kobelco brands. CNH's construction equipment dealers are assigned a specific geographic area of responsibility, which typically include an entire state, within which they have the right to sell new Case Construction, New Holland Construction and/or Kobelco equipment.

We have entered into separate dealership agreements with certain CNH entities to sell the Case IH Agriculture, New Holland Agriculture, Case Construction and New Holland Construction brands. These dealer agreements authorize us to sell CNH equipment and parts and entitle us to use CNH trademarks and trade names, with certain restrictions. The CNH entities have the right to terminate their dealer agreements with us immediately in certain circumstances, including if a person acquires 20% or more of our common stock without CNH's consent, and, in some cases, for any reason 90 days following written notice. The dealership agreements and industry practices generally provide that payment on equipment and parts purchased from CNH entities is due within 30 days and is typically subject to floor plan financing as discussed below. With respect to sales of equipment, payments from customers, which are typically financed by a third party, are due upon sale. Payments from customers for parts and services are due within 30 days. CNH makes available to us any

floorplans, parts return programs, sales or incentive programs or similar plans or programs it offers to other dealers, and provides us with promotional items and marketing materials.

Based upon information provided to us by CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S. Thus, our relationship with CNH entities is more than a typical supply relationship; it is strategic for both our company and CNH. In that regard, it is in our mutual interests to maintain the strong longstanding relationship we share. If, however, that relationship were to significantly weaken or terminate, we believe our experience, reputation and industry knowledge would enable us to identify reasonable alternatives.

Other Suppliers

In addition to products supplied by CNH, we sell a variety of new equipment, parts and attachments from other manufacturers. These products tend to address specialized niche markets and complement the CNH products we sell by filling gaps in the CNH line of products. We believe our offering of products for specialized niche markets supports our goal of being a one-stop solution for equipment needs at each of our stores. Approximately 22.1% of our total new equipment sales in fiscal 2008 resulted from sales of products manufactured by companies other than CNH with our single largest manufacturer other than CNH representing less than 3% of our total new equipment sales. The terms of our arrangements with these other suppliers vary, but most of the dealership agreements contain termination provisions allowing the supplier to terminate the agreement after a specified notice period, which is typically 30 days. Payment and financing practices with these other suppliers are similar to those practices described above with respect to CNH entities.

Products and Services

We have four principal sources of revenue: new and used equipment sales, parts sales, repair and maintenance service and equipment rental and other business activities.

Equipment Sales

We sell new agricultural and construction equipment manufactured under the CNH family of brands as well as equipment from a variety of other manufacturers. The used equipment we sell is from inventory acquired through trade-ins from our customers and selective purchases. The agricultural equipment we sell and service includes application equipment and sprayers, combines and attachments, hay and forage equipment, planting and seeding equipment, precision farming technology, tillage equipment, and tractors. The construction equipment we sell and service includes articulated trucks, compact track loaders, compaction equipment, cranes, crawler dozers, excavators, forklifts, loader/backhoes, loader/tool carriers, motor graders, skid steer loaders, telehandlers and wheel loaders. We sell new and used equipment through our professional in-house retail sales force, which is organized by geography and product type. We also sell used equipment through an outlet store and the internet. We believe this organizational structure improves the effectiveness of our sales force, better serves our customers and helps us negotiate advantageous trade-in purchase terms. Equipment sales generate cross-selling opportunities for us by populating our markets with equipment we repair and maintain and for which we sell parts. For the year ended January 31, 2008, equipment revenue was \$338.4 million, representing 78.2% of total revenue for the period.

Parts Sales

We sell a broad range of maintenance and replacement parts on equipment that we sell and rent, as well as other types of equipment. We maintain an extensive in-house parts inventory to provide timely parts and repair and maintenance support to our customers. We generally are able to acquire

out-of-stock parts directly from manufacturers within two business days. Our parts sales provide us with a relatively stable revenue stream that is less sensitive to economic cycles than our equipment sales and rental operations. For the year ended January 31, 2008, parts revenue was \$58.7 million, representing 13.6% of total revenue for the period.

Repair and Maintenance Services

We provide repair and maintenance services, including warranty repairs, for our customers' equipment. Each of our stores includes service bays staffed by trained service technicians. Our technicians are also available to make on-site repairs. In addition, we provide proactive and comprehensive customer service by maintaining service histories for each piece of equipment owned by our customers, maintaining 24/7 service hours in times of peak service usage, providing on-site repair services, scheduling off-season maintenance activities with customers, notifying customers of periodic service requirements and providing training programs to customers to educate them as to standard maintenance requirements. At the time equipment is purchased, we also offer customers the option of purchasing guaranteed maintenance contracts. These after-market services have historically provided us with a high-margin, relatively stable source of revenue through changing economic cycles. For the year ended January 31, 2008, service revenue was \$27.3 million, representing 6.3% of total revenue for the period.

Equipment Rental and Other Business Activities

We rent equipment to our customers on a short-term basis for periods ranging from a few days to a few months. We actively manage the size, quality, age and composition of our rental fleet and use our information technology systems to closely monitor and analyze customer demand and rate trends. We maintain the quality of our fleet through our on-site parts and services support and dispose of rental equipment through our retail sales force. Our rental business creates cross-selling opportunities for us in equipment sales. In addition, we provide ancillary equipment support activities such as equipment transportation, GPS signal subscriptions in connection with precision farming and reselling CNH Capital finance and insurance products. For the year ended January 31, 2008, other revenue was \$8.5 million, representing 2.0% of total revenue for the period.

Customers

We serve over 28,000 customers in the U.S., primarily in North Dakota, South Dakota, Minnesota and Iowa. Our customers include a wide range of farmers, construction contractors, public utilities, municipalities and maintenance contractors. They vary from small, single machine owners to large farming or contracting firms that operate under sophisticated capital equipment and maintenance budgets. Our stores enable us to closely service local and regional customers. We believe the Titan Operating Model enables us to satisfy customer requirements and increase revenue through cross-selling opportunities presented by the various products and services that we offer. In fiscal 2008, no single customer accounted for more than 1.6% of our revenue and our top ten customers combined accounted for less than 6.5% of our total revenue. In addition to our U.S. customers, we began to sell equipment on a limited basis to international customers, primarily in Eastern Europe. Our U.S. customers primarily finance their equipment purchases through CNH Capital.

Floorplan Financing

We attempt to maintain at each store, or have readily available at other stores in our network, sufficient inventory to satisfy customer needs. Inventory levels fluctuate throughout the year and tend to increase before the primary sales seasons for agricultural equipment. The cost of financing our inventory is an important factor affecting our financial results.

CNH Capital offers floorplan financing to CNH dealers for extended periods to finance products from both CNH and other suppliers. CNH Capital provides this financing in part to enable dealers to carry representative inventories of equipment and encourage the purchase of goods by dealers in advance of seasonal retail demand. CNH Capital charges variable market rates of interest at or over the prime rate on balances outstanding after any interest-free periods and retains a security interest in all of our assets, including inventories, which it inspects periodically. The interest-free periods, which CNH offers periodically in the form of additional incentives or special offers, typically average four months. CNH Capital also provides financing for used equipment accepted in trade, repossessed equipment and approved equipment from other suppliers, and receives a security interest in such equipment.

Other Financing Sources for Equipment

In addition to the financing provided by CNH Capital, we have floorplan lines of credit with other lenders, including GE Capital and Bremer Bank. The GE facility has a credit limit of \$5.0 million, a variable, transaction-based interest rate typically equal to the prime rate plus 0.25%, and is secured by equipment inventory financed by the facility and certain receivables. The Bremer facility has a credit limit of \$2.0 million, a variable interest rate of 0.25% below the prime rate payable monthly, and is secured by substantially all of our assets. Financing also may be available through floorplan financing programs provided by the suppliers, which may be financed by such suppliers themselves or through third party lenders.

Other Financing

We have a revolving operating line of credit with Bremer Bank for up to \$12.0 million. The revolving operating line of credit is to provide for our short term working capital requirements. Additionally, under the agreement, Bremer Bank, in its discretion, (i) may make up to a \$2.0 million floor plan loan for the purposes of purchase and floor planning of equipment inventory; and (ii) issue standby letters of credit for up to \$1.0 million. Furthermore, Bremer Bank has agreed to make term loans to us in the aggregate amount of \$10.0 million, which are to assist us in meeting our long term working capital requirements.

Sales and Marketing

As part of the Titan Operating Model, we have centralized sales support and marketing management. All of our stores benefit from our centralized media buys, strategic planning, sales support and training, and we provide our store managers and their sales teams with flexibility to localize sales and marketing.

We currently market our products and services through:

- field marketers, our direct sales representatives who operate out of our network of local stores and call on customers in the markets surrounding each store;
- parts counter and service managers, who provide our customers with comprehensive after-market support;
- local and national advertising efforts, including broadcast, cable, print and web-based media; and
- our remarketing division, which trades and sells used equipment through our outlet store and website.

Field Marketers

We believe our sales force is one of the industry's most productive and highly trained. Our field marketers perform a variety of functions, such as servicing customers at our stores, calling on existing customers and soliciting new business at farming, construction and industrial sites. These field marketers target customers in specific areas, and we develop customized marketing programs for our sales force by analyzing each customer group for profitability, buying behavior and product selection. All members of our sales force are required to attend frequent in-house training sessions to develop product and application knowledge, sales techniques and financial acumen. Our sales force is supported by our corporate marketing department.

Parts Counter and Service Managers

Our parts counter and service managers are involved in our uptime service efforts, taking advantage of our seasonal marketing campaigns in parts and service sales. As a group, they have won multiple awards from our suppliers for their efforts benefiting both our customers and our key strategic partners. We believe they rank among the most well-trained and efficient parts and service groups in our industry.

Print, Broadcast and Web-Based Advertising Campaigns

Each year we initiate several targeted direct mail, print and broadcast advertising and marketing campaigns. CNH and other suppliers periodically provide us with advertising funds, which we primarily use to promote new equipment, parts and financing programs. We will continue to explore and launch new internet-based efforts to provide additional sales channels.

Remarketing Division

Our remarketing division capitalizes on after-market sales opportunities for used equipment. We have opened two outlet stores that sell used equipment. In addition, we are actively engaged in selling equipment through our website, both through direct purchases and auctions.

Competition

The agricultural and construction equipment sales and distribution industries are highly competitive and fragmented, with large numbers of companies operating on a regional or local scale. Our competitors range from multi-location, regional operators to single-location, local dealers and include dealers and distributors of competing equipment brands, including John Deere, Caterpillar and the AGCO family of brands, as well as other dealers and distributors of the CNH family of brands. Competition among equipment dealers is primarily based on the price, value, reputation, quality and design of the products offered by the dealer, the customer service and repair and maintenance service provided by the dealer, the availability of equipment and parts and the accessibility of stores. While we believe we compete favorably on each of the identified competitive factors, our sales and margins may be impacted depending on (i) the extent of aggressive pricing competition through manufacturer discount programs or other competitive pricing tactics, (ii) our ability to obtain higher service gross margins based on our service quality and reputation and (iii) our ability to attract new and maintain existing customers based on the availability and quality of the products we offer and our local relationship and reputation.

The number of agricultural and construction equipment dealers operating on a regional scale is limited and we are one of the principal regional-scale, agricultural and construction equipment dealers in the U.S. The primary regional-scale equipment dealers with whom we compete include RDO Equipment Co., Butler Machinery and Brandt Holdings Co. RDO Equipment Co. is a John Deere agricultural and construction equipment dealer with 24 locations in North Dakota, South Dakota and

Minnesota, as well as 32 locations in Arizona, California, Montana, Oregon, Texas and Washington. Butler Machinery is a Caterpillar dealer with nine locations in North Dakota and South Dakota. Brandt Holdings owns John Deere, Vermeer and Bobcat equipment dealers with 22 locations in California, Connecticut, Iowa, Massachusetts, Minnesota, Nebraska, New York, North Dakota, South Carolina and South Dakota. Other agricultural and construction equipment dealers that have consolidated stores in other regions of the country include Pioneer Equipment, which has 14 locations that sell Case IH Agriculture and Case Construction equipment in California, Idaho and Texas; Western Power and Equipment, which has nine Case Construction locations in California, Nevada, Oregon and Washington; Scott Companies, which has ten Case Construction and eight Case IH Agriculture dealerships, located in Arkansas, Louisiana, Mississippi, Tennessee and Texas; and Birkey's Farm Store, which has ten Case IH Agriculture and New Holland dealerships located in Illinois and Indiana and four Case Construction dealerships located in Illinois.

Information Technology Systems

We use an integrated management reporting system developed and supported by Dealer Information Systems Corporation to manage our operating information. Dealer Information Systems Corporation is a supplier of dealer management systems to more than 1,700 agricultural and construction equipment dealerships and distributors in North America. The information system we use enables us to closely monitor our performance and actively manage our business and includes features that were enhanced to support the Titan Operating Model, including detailed store-based financial reporting, inventory management and customer relationship management.

Through this information system we maintain a complete database on inventory of parts and equipment and a centralized inventory control system. This system enables each store to access the available inventory of our other stores before ordering additional parts or equipment from our suppliers. As a result, we minimize our investment in inventory while effectively and promptly satisfying our customers' needs. Using this system, we also monitor inventory levels and mix at each store and make adjustments in accordance with our operating plan. Finally, the information system we use is externally connected to CNH, enabling us to locate CNH parts, communicate with other CNH dealers, make electronic payments to CNH and register and reimburse warranty expenses.

Our customer relationship management system provides sales and customer information and other organizational tools to assist our sales force. We maintain an extensive customer database that allows us to monitor the status and maintenance history of our customers' equipment and enables us to more effectively provide parts and services to meet their needs. In addition, our system includes, among other features, on-line contract generation, automated billing, local sales tax computation and automated rental purchase option calculation. We also use our relationship management information system and customer database to monitor market conditions, sales information and customer demand, as well as to assess product merchandising strategies.

The data we store with this information system is replicated on a daily basis and stored at an off-site data center. Thus, if our system were to become inoperable, we would be able to continue operations through the off-site data center. Further, we own the software and hardware necessary to operate this system and have on staff employees trained to manage and maintain the software without reliance on Dealer Information Systems Corporations direct involvement.

Intellectual Property

We do not have any registered intellectual property. Case IH, Case and New Holland are registered trademarks of CNH, which we use in connection with advertisements and sales as authorized under our dealership agreements. We license trademarks and tradenames of new equipment obtained from suppliers other than CNH from their respective owners. We operate each of our stores under

either the Titan Machinery name or, if there was strong local name recognition and customer loyalty at a location we acquired, the name historically used by the dealership in that location for a transition period, the length of which can vary depending upon the location.

Product Warranties

Product warranties for new equipment and parts are provided by our suppliers. The term and scope of these warranties vary greatly by supplier and by product. We occasionally provide additional warranties to retail purchasers of new equipment. CNH pays us for repairs we perform to CNH equipment under warranty. We generally sell used equipment "as is" and without manufacturer's warranty, although manufacturers sometimes provide limited warranties if the supplier's original warranty is transferable and has not expired. Typically, we provide no additional warranties on used equipment.

Seasonality

Our quarterly operating results are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment, parts and service purchases by our customers. A significant increase in the severity of weather cycles could increase the volatility of our results of operations and impact our financial condition. If we acquire businesses in geographic areas other than where we currently have operations, we may be affected more by the above-mentioned or other seasonal and equipment buying trends.

Employees

As of April 10, 2008, we employed 716 full-time employees. None of our employees is covered by a collective bargaining agreement. We believe our relations with our employees are good.

Properties

Equipment Stores

We currently operate 40 full service agricultural and construction equipment stores and two outlet stores in the following locations:

North Dakota (14 stores)		Minnesota (10 stores)	
Bismarck	Lamoure	Ada	Marshall
Casselton	Lidgerwood	Crookston	Moorhead
Fargo	Lisbon	Elbow Lake	Moorhead (outlet)
Grand Forks	Mandan	Fergus Falls	Pipestone
Jamestown	Wahpeton (2 stores)	Graceville	Roseau
Kulm	West Fargo		
	Wishek		
Iowa (11 stores)		South Dakota (7 stores)	
Anthon	Dike (outlet)	Aberdeen (2 stores)	Redfield
Avoca	Greenfield	Huron	Sioux Falls
Blairstown	Kingsley	Rapid City	Watertown
Cherokee	Le Mars		
Dike	Sioux City		
	Waverly		

Our stores are generally located in rural areas on property zoned for commercial use. The stores typically range from 5,000 square feet with three acres of land to 40,000 square feet with 14 acres of land. We fully utilize the leased space for each of our stores and believe the respective square footage and related acreage is adequate to meet our current and anticipated needs.

Store Lease Arrangements

We lease real estate for 25 of our stores from entities affiliated with David Meyer, our Chairman and Chief Executive Officer, Tony Christianson, one of our directors and/or Peter Christianson, our President and Chief Financial Officer. We lease three dealership sites from Meyer Family Limited Partnership, an entity affiliated by common ownership with Mr. Meyer; 20 dealership sites from Dealer Sites, LLC, an entity affiliated by common ownership with Messrs. Meyer and Tony Christianson; one dealership site from Padre Partnership, an entity affiliated by common ownership with Mr. Peter Christianson; and one dealership site from Landco LLC, an entity affiliated by common ownership with Messrs. Meyer and Peter Christianson. We lease 14 additional locations under operating lease agreements with unrelated parties. The leases for our dealership sites generally expire between 2008 and 2022, other than those leases which are currently automatically renewed on a year-to-year-basis until either we or the lessor terminate them. We do not intend to own significant amounts of real estate. Therefore, we anticipate that when we need real estate, including as part of acquiring dealerships, we will lease such real estate from third parties, which may include affiliates of our investors, directors or management. We intend for the terms of all of our leases to be commercially reasonable. We do not believe the terms of our leases with entities affiliated with Messrs. Meyer, Tony Christianson and Peter Christianson are any less favorable to us than could be obtained in an arm's length transaction with an unrelated party.

Our store lease agreements with entities affiliated with David Meyer, Peter Christianson, and/or Tony Christianson all contain substantially similar terms. The leases with Dealer Sites, LLC and C.I. Farm Power provide for fixed lease periods ranging from five to fifteen years, and leases with the Meyer Family Limited Partnership and Landco LLC have single-year terms that are automatically renewed on a year-to-year basis. All of the leases provide for fixed monthly rental payments and require us to pay the real estate taxes on the properties for the lease periods. The leases require that we maintain public liability and personal property insurance on each of the leased premises, and require us to indemnify the lessor in connection with any claims arising from the leased premises during our occupation of the property. The leases generally prohibit us from assigning the lease agreements or subletting the leased premises without the prior written consent of the lessor. The lease agreements with Dealer Sites, LLC provide that in the event Dealer Sites, LLC sells the leased premises to a party other than us or our affiliates, then we shall share in half of any surplus or deficit resulting to Dealer Sites, LLC from that sale.

Our store lease agreements with unrelated parties contain terms comparable to the agreements with entities affiliated with our directors and officers described above. The lease periods range from automatically renewable month-to-month terms to twelve years in length. A majority of the lease agreements either give us the option to renew or extend the lease for an additional period at the conclusion of the original lease term or automatically renew the lease term at the conclusion of the original lease period on a month-to-month or year-to-year basis. A majority of the leases provide for fixed monthly rental payments and require us to pay the real estate taxes on the properties for the lease periods. All of the leases require that we maintain public liability and personal property insurance on each of the leased premises, and a majority of the leases require us to indemnify the lessor in connection with any claims arising from the leased premises during our occupation of the property. Most of the leases prohibit us from assigning the lease agreements or subletting the leased premises without the prior written consent of the lessor. We have been granted a right of first refusal to purchase the Watertown, Marshall, and one of the Aberdeen properties during the applicable lease

terms. The lease agreements for the West Fargo, Kingsley, Le Mars, Watertown and Redfield properties grant us the option to purchase the leased premises during or at the conclusion of the lease term. The Kingsley, Le Mars and Redfield lease agreements grant the lessor the right to require us to purchase the leased premises during or at the conclusion of the lease term.

As part of our due diligence review prior to a dealership acquisition, we evaluate the adequacy, suitability and condition of the related real estate. Our evaluation typically includes a Phase I environmental study of the real property to determine whether there are any environmental concerns. If any environmental concerns exist, we generally require that such concerns be addressed prior to acquisition of the dealership.

Headquarters

We currently lease and occupy approximately 12,700 square feet in Fargo, North Dakota for our headquarters. This lease expires on January 31, 2015, with an option to extend for two additional five-year terms. We believe this facility is adequate to meet our current and expected administration and shared resource needs. We continually review our location needs, including the adequacy of our headquarters space, to ensure they are sufficient to support our operations. We believe there is ample opportunity for expansion in the Fargo area if necessary.

Governmental Regulation

We are subject to numerous federal, state, and local rules and regulations, including regulations promulgated by the Environmental Protection Agency and similar state agencies, with respect to storing, shipping, disposing, discharging and manufacturing hazardous materials and hazardous and non-hazardous waste. These activities are associated with the repair and maintenance of equipment at our stores. Currently, none of our stores or operations exceeds small quantity generation status. Compliance with these rules and regulations have not had any material effect on our operations, nor do we expect it to in the future. Further, we have not made, and do not anticipate making, any material capital expenditures in compliance with environmental regulations. However, there can be no assurance that these expectations are accurate, particularly if regulations change, unforeseen incidents occur or unknown past contamination or non-compliance is discovered, among other similar events.

Legal Proceedings

We are not currently a party to any material pending legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table set forth the names and positions of our directors and executive officers:

Name	Age	Position
David Meyer	55	Chairman, Chief Executive Officer and Class III Director
Peter Christianson	51	President, Chief Financial Officer and Class II Director
Ted Christianson	49	Vice President, Finance and Treasurer
Gordon Paul Anderson	62	Class II Director
John Bode	60	Class III Director
Tony Christianson	55	Class I Director
James Irwin	65	Class I Director
James Williams	68	Class II Director

David Meyer is our Chairman and Chief Executive Officer. Mr. Meyer was a founder of our company in 1980 and has been a director of our company since its creation. From 1976 to 1980, Mr. Meyer was a partner in a Case and New Holland dealership with locations in Lisbon and Wahpeton, North Dakota.

Peter Christianson has been our President and a director since January 2003 and our Chief Financial Officer since August 2007. Prior to joining us and since 1988, he was a partner and owner of C.I. Farm Power, Inc., the operator of two of the dealership locations acquired by Titan Machinery LLC in 2002. Peter Christianson, Tony Christianson and Ted Christianson are brothers.

Ted Christianson has been our Vice President, Finance and Treasurer since August 2007 and was previously our Chief Financial Officer from 2003 until August 2007. Mr. Christianson has spent over 15 years with startups and high growth companies in a variety of financial management roles, including as chief financial officer. Mr. Christianson was the full-time Managing Partner for Adam Smith Properties, a private real estate development company from 1997 to 2003. Mr. Christianson was formerly with US Bank (First Bank System).

Gordon Paul Anderson has been a director since 2003. Dr. Anderson is a cardiologist who retired in December 2002, the founding member of Consultants in Cardiovascular Diseases, Inc., and the former Chief of Cardiology and President of the medical staff, Saint Vincent Health Center, Erie, Pennsylvania. Dr. Anderson has been an active investor and board member of several private business and technology ventures and has active farming operations in North Dakota.

John Bode has been a director since 2005. Mr. Bode is a retired partner of KPMG, LLP with over 34 years of experience in public accounting. Mr. Bode was elected to the partnership in 1981 and retired in 2005. Mr. Bode was the lead audit partner for numerous clients in the consumer products, food, agribusiness and manufacturing industries. Mr. Bode also currently serves on the board of The Valspar Corporation.

Tony Christianson has been a director since January 2003. Mr. Christianson is a founder of Titan Machinery LLC. Since 1981, Mr. Christianson has been the Chairman of Cherry Tree Companies, an affiliated group of investment banking, venture capital and asset management firms in Minneapolis. Mr. Christianson has been a director of numerous public and private companies over his career and is

currently a director of Dolan Media Company, Fair Isaac Corporation, Peoples Educational Holdings, Inc. and Ameripride Services.

James Irwin has been a director since 2005. Mr. Irwin is a former vice president of Case IH's North American Agricultural Business, with over 40 years of experience in various executive positions in CNH prior to his retirement in January 2005. Mr. Irwin helped manage the mergers and buyouts of International Harvester and New Holland. Mr. Irwin was named the 2005 Agribusiness Leader of the Year by the National Agri-Marketing Association.

James Williams has been a director since 2003. Mr. Williams is currently Chairman of First State Bank of North Dakota and Goose River Bank. Mr. Williams has been an owner of Arthur Mercantile, a farm equipment dealership, since 1972. Mr. Williams is managing partner of Williams Farms in Arthur, North Dakota. Mr. Williams previously worked at Bank of New York.

Committees of our Board of Directors

Our board of directors maintains the following standing committees:

Audit Committee

Among other matters, our audit committee:

- assists the board of directors in fulfilling its oversight responsibility to our stockholders and other constituents with respect to the integrity of financial statements;
- appoints and has oversight over our independent auditors, determines the compensation of our independent auditors and reviews the independence and the experience and qualifications of our independent auditors' lead partner, and pre-approves the engagement of our independent auditors for audit and permitted non-audit services;
- meets with the independent auditors and reviews the scope and significant findings of audits and meets with management and internal financial personnel regarding these findings;
- reviews the performance of our independent auditors;
- discusses with management and our independent auditors the adequacy and sufficiency of our financial and accounting controls, practices and procedures, the activities and recommendations of our auditors and our reporting policies and practices, and reporting recommendations to the board of directors for approval;
- establishes procedures for the receipt, retention and treatment of complaints regarding internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- prepares the committee reports required by the rules of the SEC to be included in our annual proxy statement.

Compensation Committee

Our compensation committee reviews and recommends policy relating to compensation and benefits of our officers, employees and directors. Our compensation committee reviews and approves corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives and sets the compensation of these officers based on such evaluations. Our compensation committee also administers the issuance of stock options and other awards under our equity award plans.

Our nominating/governance committee makes recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors and its committees. In addition, our nominating/governance committee oversees our codes of conduct and makes recommendations to our board of directors concerning governance matters.

The following sets forth the membership of each of our committees:

Audit Committee	Compensation Committee	Nominating/Governance Committee
John Bode (Chair) James Williams Gordon Paul Anderson	Gordon Paul Anderson (Chair) James Irwin	James Williams (Chair) James Irwin

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our outstanding common stock by (i) each of our executive officers; (ii) each of our directors; (iii) all of our executive officers and directors as a group; and (iv) each of those known by us to be beneficial owners of more than 5% of our common stock.

The percentage ownership information shown in the table is based upon 13,443,810 shares outstanding as of April 10, 2008 and the issuance of 3,000,000 shares in this offering. The percentage ownership following the offering assumes none of the persons in the table below will purchase any shares in the offering. Shares of common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of April 10, 2008 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The percentage ownership information assumes no exercise of the underwriters' over-allotment option.

Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws. Except as otherwise noted below, the address for each person or entity listed in the table is c/o Titan Machinery Inc., 4876 Rocking Horse Circle, Fargo, North Dakota 58104-6049.

Name	Beneficial Ownership Prior to Offering		Number of Shares Offered	Beneficial Ownership After Offering	
	Number	Percent		Number	Percent
<i>Executive Officers and Directors</i>					
David Meyer(1)	3,502,680	26.1%	345,000	3,157,680	19.2%
Peter Christianson(2)	1,001,285	7.4%	150,000	851,285	5.2%
Ted Christianson(3)	32,323	*	5,000	27,323	*
Gordon Paul Anderson(4)	92,318	*	—	92,318	*
John Bode(5)	10,334	*	—	10,334	*
Tony Christianson(6)	1,166,797	8.7%	—	1,146,142	6.9%
James Irwin(7)	18,009	*	—	18,009	*
James Williams(8)	51,668	*	—	51,668	*
Executive Officers and Directors as a group (8 persons)(9)	5,847,684	42.9%	500,000	5,347,684	32.2%
<i>5% Stockholders</i>					
Systematic Financial Management LP(10)	762,200	5.6%	—	762,200	4.6%

* Indicates ownership of less than 1%.

- (1) The shares Mr. Meyer is selling were acquired in connection with the acquisition of Titan Machinery LLC in January 2003 in the form of shares of common stock and a convertible subordinated debenture.
- (2) Includes 1,001,285 shares beneficially owned by C.I. Farm Power, Inc. Mr. Christianson may be deemed to be the beneficial owner of such shares by virtue of his status as a controlling owner of C.I. Farm Power. The shares C.I. Farm Power is selling are beneficially owned by Mr. Peter Christianson and these shares were acquired by C.I. Farm Power upon the exchange of convertible subordinated debentures prior to our initial public offering in December 2007.
- (3) Includes 11,668 shares that may be purchased upon exercise of stock options by Mr. Christianson that were exercisable as of April 10, 2007, or within 60 days of that date. Includes 20,655 shares that may be purchased upon exercise of a cross-purchase option granted to Mr. Christianson by

Adam Smith Growth Partners. Mr. Christianson intends to exercise this cross-purchase option prior to the consummation of this offering and sell 5,000 of the issuable shares in this offering.

- (4) Includes 8,984 shares that may be purchased upon exercise of stock options and warrants by Mr. Anderson that were exercisable as of April 10, 2007, or within 60 days of that date. Of these, 650 are beneficially owned by Titan Income Holdings, LLLP, of which Mr. Anderson is a limited partner. Mr. Anderson expressly disclaims beneficial ownership of any shares held by Titan Income Holdings except to the extent of his pecuniary interest in that entity.
- (5) Includes 7,334 shares that may be purchased upon exercise of stock options by Mr. Bode that were exercisable as of April 10, 2007, or within 60 days of that date.
- (6) Includes 663,094 shares beneficially owned by Adam Smith Growth Partners, 188,235 shares and warrants to purchase 115,650 shares of common stock beneficially owned by Titan Income Holdings, 182,142 shares beneficially owned by Adam Smith Activist Fund, LLC, warrants to purchase 15,009 shares of common stock beneficially owned by Cherry Tree Companies, LLC, and options to purchase 2,667 shares of common stock beneficially owned by Mr. Christianson. All of these warrants and options were exercisable as of April 10, 2007, or within 60 days of this date. Mr. Christianson may be deemed to share beneficial ownership of shares beneficially owned by Adam Smith Growth Partners, Titan Income Holdings, and Cherry Tree by virtue of his status as a controlling owner of such entities. Mr. Christianson expressly disclaims beneficial ownership of any shares held by Adam Smith Growth Partners, Titan Income Holdings, Adam Smith Activist Fund and Cherry Tree except to the extent of his pecuniary interest in such entities. Includes shares other individuals have the right to acquire from Adam Smith Growth Partners pursuant to options, including 20,655 acquirable by Ted Christianson, which he intends to exercise prior to the consummation of this offering.
- (7) Includes 13,009 shares that may be purchased upon exercise of stock options and warrants by Mr. Irwin that were exercisable as of April 10, 2007, or within 60 days of that date. Of these, 6,425 are beneficially owned by Titan Income Holdings, of which the Irwin Revocable Trust is a limited partner. Mr. Irwin expressly disclaims beneficial ownership of any shares held by Titan Income Holdings except to the extent of his pecuniary interest in that entity.
- (8) Includes 8,334 shares that may be purchased upon exercise of stock options and warrants by Mr. Williams that were exercisable as of April 10, 2007, or within 60 days of that date.
- (9) Includes 175,580 shares that may be purchased upon exercise of options or warrants that were exercisable as of April 10, 2008, or within 60 days of that date.
- (10) The information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 15, 2008 by Systematic Financial Management LP. The address of Systematic Financial Management is c/o Glenpointe East, 7th Floor, 300 Frank W Burr Boulevard, Teaneck, New Jersey 07666. Systematic Financial Management possesses sole voting power over 330,100 of these shares and sole dispositive power over 762,200 of these shares.

Certain Relationships with Selling Stockholders

David Meyer is our Chairman and Chief Executive Officer. C.I. Farm Power, Inc. is a company owned by our President and Chief Financial Officer, Peter Christianson. Ted Christianson is our Vice President—Finance, Treasurer and Secretary.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 30,000,000 shares, consisting of 25,000,000 shares of common stock and 5,000,000 shares of undesignated stock, from which our board of directors is authorized to issue preferred stock and establish the rights, preferences and privileges with respect to such shares of preferred stock.

The following summarizes important provisions of our capital stock and describes all material provisions of our certificate of incorporation and bylaws. This summary is qualified by our certificate of incorporation and bylaws and by the provisions of applicable law.

Common Stock

No outstanding share of common stock is entitled to preference over any other share, and each share is equal to any other share in all respects. Holders of the common stock are entitled to one vote for each share held of record at each meeting of stockholders. In any distribution of capital assets, such as liquidation, whether voluntary or involuntary, holders of the common stock are entitled to receive pro rata the assets remaining after creditors have been paid in full and after payment of the liquidation preference of all classes and series of preferred stock outstanding. Holders of shares of common stock have no preemptive rights.

Undesignated Shares

The board of directors may by resolution and without stockholder approval establish from the undesignated shares different classes or series of shares (including other classes or series of preferred stock), with such designations, voting power, preferences, rights qualifications, limitations, restrictions, dividends, time and prices of redemption, and conversion rights as the board of directors may establish. The issuance of such capital stock could adversely affect the rights and voting power of holders of common stock, entitle holders to greater liquidation preferences or board representation than holders of our common stock or prevent or delay a change in control. No shares of preferred stock will be outstanding upon the closing of this offering.

Warrants

As of the date of this prospectus, the following warrants to purchase common stock are outstanding:

- 11,917 shares at \$3.00 per share expiring in 2013; and
- 121,721 shares at \$3.50 per share, 115,650 of which expire in 2013 and 6,071 of which expire in 2014.

Registration Rights

Pursuant to a shareholder rights agreement dated April 7, 2003, as amended effective January 31, 2006, with David Meyer, our Chairman and Chief Executive Officer, Adam Smith Companies, C.I. Farm Power, CNH Capital and holders of our previously outstanding Series A and Series B preferred stock, these stockholders are entitled to piggyback registration rights upon certain registrations of our securities. The registration rights are not available to these stockholders for registrations in connection with an initial public offering, registrations on Form S-8, Form S-4 or other limited purposes forms, registrations relating solely to employee benefit plans, Rule 145 transactions or transactions relating solely to the sale of debt or convertible debt instruments. The registration rights continue for a period of three years following our initial public offering. Under the shareholder rights agreement, piggyback registration rights are not available for shares that are eligible to be distributed pursuant to Rule 144. Under Rule 144, when an affiliate has held its restricted shares for at least six months, the affiliate is

entitled to resell, within any three-month period, a number of shares that does not exceed the greater of 1% of our then-outstanding shares of common stock or the average weekly trading volume of our common stock, subject to manner of sale provisions, notice requirements and the availability of current public information about us. Any shares remaining or otherwise ineligible to be sold pursuant to Rule 144 are deemed registrable securities entitled to piggyback registration rights.

Anti-Takeover Provisions

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Certificate of Incorporation and Bylaws

Provisions of our certificate of incorporation and bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions

could adversely affect the price of our common stock. Among other things, our certificate of incorporation and bylaws:

- permit our board of directors to issue up to 5,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control;
- provide that the authorized number of directors may be changed by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our board of directors into three classes;
- provide that directors may only be removed for cause by the holders of at least two-thirds of the voting power of the shares eligible to vote for directors;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice; and
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose).

CNH Dealer Agreements

Prior consent of CNH is required for the acquisition by any party of 20% or more of our outstanding stock. Without this consent, CNH may terminate our dealer agreements.

Limitation on Liability of Directors and Indemnification

Our certificate of incorporation limits the liability of our directors to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

- breach of their duty of loyalty to us or our stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares as provided in Section 174 of the Delaware General Corporation Law; or
- transaction from which the directors derived an improper personal benefit.

These limitations of liability do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or rescission.

Our bylaws provide that we will indemnify and advance expenses to our directors and officers to the fullest extent permitted by law subject to certain procedural and other requirements set forth in the bylaws; or, if applicable, pursuant to indemnification agreements, which, when executed, will supersede the bylaw provisions. They further provide that we may choose to indemnify other employees or agents

of the corporation from time to time. Section 145(g) of the Delaware General Corporation Law and our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit indemnification. We intend to obtain a directors' and officers' liability insurance policy prior to the closing of this offering.

We have separate indemnification agreements with our directors and officers, in addition to the indemnification provisions set forth in our bylaws. These agreements, among other things, require us to indemnify our directors and officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of his or her services as one of our directors or officers, including services provided to any of our subsidiaries or any other company or enterprise to which the person provides services at our request.

At present, there is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against these liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by the director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether this indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Wells Fargo Shareowner Services.

Nasdaq Global Market

Our common stock is traded on the Nasdaq Global Market under the trading symbol "TITN."

SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock. Sales of substantial amounts of our common stock in the public market could adversely affect the market prices of our common stock and could impair our future ability to raise capital through the sale of our equity securities.

Upon completion of this offering, based on our outstanding shares as of April 10, 2008, and assuming no exercise of outstanding options or warrants, we will have outstanding an aggregate of 16,443,810 shares of our common stock (16,968,810 shares if the underwriters' over-allotment option is exercised in full). Of these shares, all of the shares sold in this offering (plus any shares sold as a result of the underwriters' exercise of the over-allotment option) will be freely tradable without restriction or further registration under the Securities Act, unless those shares are purchased by our affiliates as that term is defined in Rule 144 under the Securities Act.

Of the remaining shares of common stock to be outstanding after this offering, 5,407,398 shares will be subject to the restrictions on transfer contained in Rule 144. Of these restricted securities,

5,172,104 shares will be subject to transfer restrictions for 90 days from the date of this prospectus pursuant to market stand-off agreements. Upon expiration of the 90-day transfer restriction period, all these shares will be eligible for resale under Rule 144, subject to volume limitations. Restricted securities may be sold in the public market only if they have been registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act.

Lock-up Agreements

All of our officers and directors and their affiliated entities have entered into lock-up agreements pursuant to which they have agreed, subject to limited exceptions, not to offer, sell, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or securities convertible into or exchangeable or exercisable for shares of common stock for a period of 90 days from the date of this prospectus without our prior written consent or, in some cases, the prior written consent of Craig-Hallum Capital Group. After the 90-day lock-up period, these shares may be sold, subject to applicable securities laws. See "Underwriting."

Rule 144

In general, under Rule 144 under the Securities Act, a person, or persons whose shares are aggregated, who is not (and has not been for at least three months prior to the date of sale) our affiliate and owns shares that were purchased from us, or any affiliate, at least six months previously, is entitled to resell their restricted shares without limitation, subject to the availability of current public information about us if such shares have been held for longer than six months and less than one year. Under Rule 144, a person that is our affiliate and has held its restricted shares for at least six months is entitled to resell, within any three-month period, a number of shares that does not exceed the greater of 1% of our then-outstanding shares of common stock or the average weekly trading volume of our common stock calculated in accordance with Rule 144, subject to manner of sale provisions, notice requirements and the availability of current public information about us. We are unable to estimate the number of shares that will be sold under Rule 144 since this will depend on the market price for our common stock, the personal circumstances of the stockholder and other factors.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or written agreement relating to compensation and who is not deemed to have been an affiliate of our company to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits our affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. As of January 31, 2008, the aggregate number of shares eligible for resale under Rule 701 is 13,902.

Options

As of April 10, 2008, stock options to purchase a total of 493,252 shares of our common stock were outstanding. These stock options have a weighted average exercise price of \$7.61 and expire between April 1, 2016 and February 1, 2018.

Registration of Shares in Connection with Compensatory Benefit Plans

We are unable to estimate the number of shares that will be sold under Rules 144 or 701 because that number will depend on the market price for the common stock, the personal circumstances of the sellers and other factors. We have filed a registration statement on Form S-8 under the Securities Act covering up to 1,000,000 shares of our common stock issuable upon the exercise of vesting of awards

made under our 2005 Equity Incentive Plan. The registration statement became effective upon filing. Accordingly, shares registered under the registration statement on Form S-8 are available for sale in the open market immediately, after complying with Rule 144 volume limitations applicable to affiliates, with applicable lock-up agreements, and with the vesting requirements and restrictions on transfer affecting any shares that are subject to restricted stock awards.

Registration Rights

For a description of registration rights with respect to our common stock, see the information under the heading titled "Description of Capital Stock—Registration Rights."

UNDERWRITING

The underwriters named below have agreed to buy, subject to the terms of the purchase agreement, the number of shares listed opposite their names below. The underwriters are committed to purchase and pay for all of the shares if any are purchased.

Underwriters	Number of Shares
Craig-Hallum Capital Group	
Robert W. Baird & Co.	
Total	3,500,000

The underwriters have advised us that they propose to offer the shares to the public at \$ _____ per share. The underwriters propose to offer the shares to certain dealers at the same price less a concession of not more than \$ _____ per share. The underwriters may allow and the dealers may reallow a concession of not more than \$ _____ per share on sales to certain other brokers and dealers. After the offering, these figures may be changed by the underwriters.

We have granted to the underwriters an option to purchase up to an additional 525,000 shares of common stock from us at the same price to the public, and with the same underwriting discount, as set forth in the table below. The underwriters may exercise this option any time during the 30-day period after the date of this prospectus, but only to cover over-allotments, if any. To the extent the underwriters exercise the option, each underwriter will become severally obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares as it was obligated to purchase under the purchase agreement.

The following table summarizes the underwriting discounts and commissions that we and the selling stockholders will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the over-allotment option.

	Total with no over-allotment	Total, with over-allotment
Underwriting discount to be paid to the underwriters by us		
Underwriting discount to be paid to the underwriters by the selling stockholders		

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be \$500,000. These expenses are payable by us.

We have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

We and each of our directors, executive officers and certain principal stockholders have agreed to certain restrictions on our ability to sell additional shares of our common stock for a period of 90 days after the date of this prospectus. We have agreed not to directly or indirectly offer for sale, sell, contract to sell, grant any option for the sale of, or otherwise issue or dispose of, any shares of common stock, options or warrants to acquire shares of common stock, or any related security or instrument, without the prior written consent of Craig-Hallum Capital Group. The agreements provide exceptions for (i) sales to underwriters pursuant to the purchase agreement, (ii) sales in connection with the exercise of options granted and (iii) certain other exceptions.

To facilitate the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock during and after the offering. Specifically, the underwriters may over-allot or otherwise create a short position in the common stock for their own

account by selling more shares of common stock than have been sold to them by us and the selling stockholders. The underwriters may elect to cover any such short position by purchasing shares of common stock in the open market or by exercising the over-allotment option granted to the underwriters. In addition, the underwriters may stabilize or maintain the price of the common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if shares of common stock previously distributed in the offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also effect the price of the common stock to the extent that it discourages resales of the common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on the Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, some underwriters (and selling group members) may also engage in passive market making transactions in the common stock on the Nasdaq Global Market. Passive market making consists of displaying bids on the Nasdaq Global Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of the common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

One or more of the underwriters may facilitate the marketing of this offering online directly or through one of its affiliates. In those cases, prospective investors may view offering terms and a prospectus online and, depending upon the particular underwriter, place orders online or through their financial advisors.

A managing director of Craig-Hallum Capital Group is a special limited partner of Titan Income Holdings, LLLP, an investment partnership whose primary assets are common stock and common stock warrants issued by us. His personal financial interest in the partnership is \$41,721, as valued by the general partners of Titan Income Holdings as of March 31, 2008.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. Craig-Hallum Capital Group and Robert W. Baird & Co. served as the managing underwriters for our initial public offering in December 2007.

LEGAL MATTERS

The validity of the shares of common stock offered hereby and certain other legal matters will be passed upon for us by Fredrikson & Byron, P.A., Minneapolis, Minnesota. The underwriters have been represented in connection with this offering by Faegre & Benson LLP, Minneapolis, Minnesota.

EXPERTS

The financial statements of Titan Machinery Inc. as of January 31, 2007 and 2008 and for each of the three years in the period ended January 31, 2008 included in this prospectus have been so included in reliance on the report of Eide Bailly LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus does not contain all of the information included in the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC. For further information pertaining to us and the common stock to be sold in this offering, you should refer to the registration statement and its exhibits. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document filed as an exhibit to the registration statement or such other document, each such statement being qualified in all respects by such reference. We are subject to the informational requirements of the Exchange Act of 1934 and file annual, quarterly and current reports, proxy statements and other information with the SEC.

You can read the registration statement and our filings with the SEC over the Internet at the SEC's website at www.sec.gov. You may request copies of the filing, at no cost, by telephone at (701) 356-0130 or by mail at Titan Machinery Inc., 4876 Rocking Horse Circle Fargo, ND 58104-6049. You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference certain of our publicly filed documents into this prospectus, which means that important information included in these publicly filed documents is considered part of this prospectus. Our annual report on Form 10-K filed with the SEC on April 28, 2008 for the fiscal year ended January 31, 2008 is incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for the purposes of this prospectus to the extent that a later statement contained herein or in any other document incorporated or deemed to be incorporated by reference in this prospectus modifies or supersedes the earlier statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide at no cost to each person, including any beneficial owner, to whom this prospectus is delivered, upon oral or written request of such person, a copy of any or all of the reports or documents that have been incorporated by reference in this prospectus, but not delivered with the prospectus, other than exhibits to these other documents (unless these exhibits are specifically incorporated by reference into these documents). We will furnish any exhibit upon the payment of a specified reasonable fee, which fee will be limited to our reasonable expenses in furnishing such exhibit. Requests for copies should be directed to:

Ted Christianson
Secretary
Titan Machinery Inc.
4876 Rocking Horse Circle
Fargo, North Dakota 58104-0649
Telephone: (701) 356-0130

These documents may also be accessed through our internet web site at www.titanmachinery.com or as described under "Where You Can Find More Information."

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Titan Machinery Inc.—Financial Statements	
Audited Consolidated Financial Statements	
Report of Independent Registered Accounting Firm	F-2
Consolidated Balance Sheets as of January 31, 2007 and 2008	F-3
Consolidated Statements of Operations for the fiscal years ended January 31, 2006, 2007 and 2008	F-4
Consolidated Statements of Stockholders' Equity for the fiscal years ended January 31, 2006, 2007 and 2008	F-5
Consolidated Statements of Cash Flows for the fiscal years ended January 31, 2006, 2007 and 2008	F-6
Notes to Consolidated Financial Statements	F-8

REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

The Audit Committee and Board of Directors
Titan Machinery Inc.
Fargo, North Dakota

We have audited the accompanying consolidated balance sheets of Titan Machinery Inc. and Subsidiary as of January 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2008. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Titan Machinery Inc. and Subsidiary as of January 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Eide Bailly LLP

Minneapolis, Minnesota
April 23, 2008

TITAN MACHINERY INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 42,802,505	\$ 7,572,000
Receivables, net	22,061,275	10,921,049
Inventories	145,766,866	106,253,862
Prepaid expenses	215,312	186,137
Income tax receivable	1,074,216	—
Deferred income taxes	1,027,000	462,000
Total current assets	212,947,174	125,395,048
INTANGIBLES AND OTHER ASSETS		
Parts inventory in excess of amounts expected to be sold currently	1,480,000	1,062,000
Goodwill	8,271,133	3,736,147
Intangible assets, net of accumulated amortization	337,242	168,876
Other	311,581	334,907
	10,399,956	5,301,930
PROPERTY AND EQUIPMENT, net of accumulated depreciation		
	16,022,336	8,175,105
	\$ 239,369,466	\$ 138,872,083
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 9,244,064	\$ 4,227,830
Floorplan notes payable	105,847,648	84,698,775
Current maturities of long-term debt	5,653,840	2,823,609
Customer deposits	19,309,533	4,608,345
Accrued expenses	6,137,842	2,287,677
Income taxes payable	—	377,729
Total current liabilities	146,192,927	99,023,965
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	13,082,795	6,787,598
Deferred income taxes	1,865,000	925,000
Other long term liabilities	811,689	—
Accrued interest on subordinated debt	—	330,441
	15,759,484	8,043,039
SUBORDINATED DEBENTURES		
	1,300,000	16,746,836
CONTINGENCIES—Note 16		
REDEEMABLE SECURITIES		
Series A Convertible Preferred stock—par value \$.00001, authorized—None at January 31, 2008 and 2,000,000 shares at January 31, 2007; issued and outstanding—None at January 31, 2008 and 341,672 shares at January 31, 2007	—	1,193,594
Series B Convertible Preferred stock—par value \$.00001, authorized—None at January 31, 2008 and 2,000,000 shares at January 31, 2007; issued and outstanding—None at January 31, 2008 and 125,001 shares at January 31, 2007	—	486,112
	—	1,679,706
STOCKHOLDERS EQUITY		
Common stock, par value \$.00001 per share, authorized—25,000,000 shares; outstanding—13,440,654 and 4,344,753 shares at January 31, 2008 and 2007, respectively	134	43
Additional paid-in-capital	58,179,695	514,864
Retained earnings	17,937,226	12,863,630

	76,117,055	13,378,537
	\$ 239,369,466	\$ 138,872,083

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED JANUARY 31, 2008, 2007 AND 2006

	2008	2007	2006
REVENUE			
Equipment	\$ 338,382,140	\$ 220,957,940	\$ 175,548,847
Parts	58,742,784	42,618,622	31,098,984
Service	27,343,778	21,964,966	16,572,415
Other, including trucking and rental	8,502,509	7,056,470	5,250,034
	432,971,211	292,597,998	228,470,280
COST OF REVENUE			
Equipment	302,319,633	200,557,976	160,814,335
Parts	42,568,214	29,909,043	22,458,546
Service	10,117,702	8,182,908	6,404,325
Other, including trucking and rental	5,913,229	5,336,741	4,080,916
	360,918,778	243,986,668	193,758,122
GROSS PROFIT	72,052,433	48,611,330	34,712,158
OPERATING EXPENSES	53,190,711	37,399,182	26,977,881
INCOME FROM OPERATIONS	18,861,722	11,212,148	7,734,277
OTHER INCOME (EXPENSE)			
Interest and other income	577,239	348,809	87,686
Floorplan interest expense	(3,812,724)	(3,293,901)	(2,295,766)
Interest expense, including interest on subordinated debentures of \$1,551,563 in 2008, \$1,679,774 in 2007, and \$558,911 in 2006	(2,479,965)	(2,178,745)	(1,073,332)
Debt retirement costs	(3,823,574)	—	—
INCOME BEFORE INCOME TAXES	9,322,698	6,088,311	4,452,865
PROVISION FOR INCOME TAXES	(4,110,000)	(2,450,000)	(1,721,000)
NET INCOME	\$ 5,212,698	\$ 3,638,311	\$ 2,731,865
ADJUSTMENTS TO INCOME:			
Amortization of syndication fees—preferred stock (net of tax effect)	(51,311)	(21,185)	(21,185)
Unpaid accumulated preferred dividends	(87,791)	(102,376)	(102,376)
INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 5,073,596	\$ 3,514,750	\$ 2,608,304
EARNINGS PER SHARE—BASIC	\$ 0.90	\$ 0.81	\$ 0.60
EARNINGS PER SHARE—DILUTED	\$ 0.67	\$ 0.57	\$ 0.47
WEIGHTED AVERAGE SHARES—BASIC	5,607,473	4,344,753	4,340,852
WEIGHTED AVERAGE SHARES—DILUTED	8,246,176	6,906,772	6,316,980

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JANUARY 31, 2008, 2007 AND 2006

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
BALANCE, JANUARY 31, 2005	4,340,852	\$ 43	\$ 42,757	\$ 6,740,576	\$ 6,783,376
Issuance of stock warrants	—	—	301,000	—	301,000
Unpaid accumulated dividends	—	—	—	(102,376)	(102,376)
Amortization of syndication fees	—	—	—	(21,185)	(21,185)
Net income	—	—	—	2,731,865	2,731,865
BALANCE, JANUARY 31, 2006	4,340,852	43	343,757	9,348,880	9,692,680
Issuance of stock warrants	—	—	113,000	—	113,000
Stock based compensation expense	3,901	—	58,107	—	58,107
Unpaid accumulated dividends	—	—	—	(102,376)	(102,376)
Amortization of syndication fees	—	—	—	(21,185)	(21,185)
Net income	—	—	—	3,638,311	3,638,311
BALANCE, JANUARY 31, 2007	4,344,753	43	514,864	12,863,630	13,378,537
Common stock issued in initial public offering	5,442,395	55	41,793,588	—	41,793,643
Issuance of shares for stock acquisition	235,294	2	1,999,997	—	1,999,999
Issuance of shares for conversion of debt/conversion of redeemable securities/exercise of warrants	3,339,792	33	13,729,791	—	13,729,824
Stock based compensation expense	78,420	1	141,455	—	141,456
Unpaid accumulated dividends	—	—	—	(87,791)	(87,791)
Amortization of syndication fees	—	—	—	(51,311)	(51,311)
Net income	—	—	—	5,212,698	5,212,698
BALANCE, JANUARY 31, 2008	13,440,654	\$ 134	\$ 58,179,695	\$ 17,937,226	\$ 76,117,055

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JANUARY 31, 2008, 2007 AND 2006

	2008	2007	2006
OPERATING ACTIVITIES			
Net income	\$ 5,212,698	\$ 3,638,311	\$ 2,731,865
Adjustments to reconcile net income to cash provided from operating activities			
Depreciation	2,388,119	1,648,551	1,107,348
Amortization	127,234	119,133	93,108
Debt retirement costs	2,406,554	—	—
Loss (gain) on sale of equipment	46,642	(26,207)	1,643
Other long term liabilities	811,689	—	—
Deferred income taxes	(181,052)	74,000	(23,000)
Stock based compensation expense	141,455	58,107	—
Changes in assets and liabilities, net of purchase of agricultural dealerships assets and assumption of liabilities			
Receivables	(8,501,525)	(5,104,174)	(758,299)
Inventories	(3,165,080)	(285,688)	(5,365,361)
Prepaid expenses	(9,960)	(153,165)	12,348
Other assets	23,326	(161,244)	(123,066)
Floorplan notes payable	(4,449,358)	7,832,820	6,418,512
Accounts payable	1,029,222	(1,472,855)	2,260,891
Customer deposits	14,701,188	593,944	1,879,975
Accrued expenses	3,506,948	(160,186)	918,374
Income taxes	(1,628,281)	(95,932)	(340,863)
NET CASH FROM OPERATING ACTIVITIES	12,459,819	6,505,415	8,813,475
INVESTING ACTIVITIES			
Property and equipment purchases	(6,287,571)	(1,987,258)	(1,179,161)
Net proceeds from sale of equipment	269,638	119,674	21,929
Payment for intangible asset	(216,819)	—	(40,000)
Purchase of dealerships, net of cash purchased	(10,102,968)	(12,088,053)	(2,576,014)
NET CASH USED FOR INVESTING ACTIVITIES	(16,337,720)	(13,955,637)	(3,773,246)

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

YEARS ENDED JANUARY 31, 2008, 2007 AND 2006

	2008	2007	2006
FINANCING ACTIVITIES			
Proceeds from initial public offering of common stock net of underwriting discount of \$3,238,225 and other direct costs of \$1,228,455	41,793,643	—	—
Proceeds from exercise of warrants	1,084,255	—	—
Net change in line of credit	—	—	(2,644,249)
Net change in non-manufacturer floor plan payable	(704,989)	202,731	(3,865,258)
Dividends paid on redeemable securities	(441,028)	—	—
Proceeds from long-term debt borrowings and subordinated debentures	12,199,108	6,688,848	10,087,546
Proceeds from fixed asset financings	—	1,631,000	1,261,000
Principal payments on long-term debt	(14,492,142)	(2,082,696)	(2,577,633)
Net change in subordinated debt interest accrual	(330,441)	(202,081)	(39,006)
Proceeds from issuance of preferred stock and warrants	—	113,000	301,000
NET CASH FROM FINANCING ACTIVITIES	39,108,406	6,350,802	2,523,400
NET CHANGE IN CASH	35,230,505	(1,099,420)	7,563,629
CASH AT BEGINNING OF YEAR	7,572,000	8,671,420	1,107,791
CASH AT END OF YEAR	\$ 42,802,505	\$ 7,572,000	\$ 8,671,420
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year			
Income taxes, net of refunds	\$ 5,348,894	\$ 2,348,384	\$ 2,084,863
Interest	6,614,606	5,539,260	3,328,520
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Dividends on preferred redeemable stock charged to retained earnings	\$ 87,791	\$ 102,376	\$ 102,376
Purchase of equipment by issuance of long-term debt	1,327,583	872,308	453,430
Issuance of shares for conversion of debt and conversion of redeemable securities	8,114,446	—	—
Acquisition of equipment dealerships:			
Accounts receivable	\$ (2,638,702)	\$ (22,731)	\$ (66,728)
Inventories	(32,329,975)	(17,047,973)	(10,860,806)
Property and equipment	(2,936,475)	(1,731,225)	(1,265,239)
Goodwill	(4,534,986)	(2,371,000)	(400,000)
Other assets	(55,748)	—	—
Floorplan notes payable	21,867,271	7,846,626	8,716,759
Subordinated debentures and long term debt	1,000,000	—	1,300,000
Accounts payable	3,987,011	212,661	—
Income taxes payable	176,336	123,548	—
Deferred income taxes	592,586	396,000	—
Accrued expenses	343,217	506,041	—
Issuance of redeemable securities	2,426,498	—	—
Issuance of common stock	1,999,999	—	—
Cash paid for dealerships	\$ (10,102,968)	\$ (12,088,053)	\$ (2,576,014)

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Titan Machinery Inc. (the "Company") is engaged in the retail sale, service and rental of agricultural and industrial machinery through stores in North Dakota, South Dakota, Minnesota, and Iowa.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Transportation Solutions, LLC. All significant accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

Concentrations of Credit Risk

The Company's sales are to agricultural and construction equipment customers principally in southeastern and south-central North Dakota, eastern South Dakota, southwestern and west-central Minnesota and northern Iowa. The Company extends credit to its customers in the ordinary course of business and monitors its customers' financial condition to minimize its risks associated with trade receivables, however, does not generally require collateral on trade receivables.

The Company's cash balances are maintained in bank deposit accounts. Periodically, account balances are in excess of federally insured limits.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations in Operations

The Company currently purchases new and rental equipment and related parts from a limited number of manufacturers. Although no change in suppliers is anticipated, the occurrence of such a change could cause a possible loss of sales and adversely affect operating results.

Receivables and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews trade receivable balances that exceed 30 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Finance receivables consist primarily of contracts in transit with manufacturers or manufacturer finance companies. These receivables do not generally have established payment terms and are collected in relatively short time periods.

Inventories

New and used machinery are stated at the lower of cost (specific identification) or market. All used inventory, including that which has been rented is subject to periodic lower of cost or market evaluation. Parts inventory is valued at the lower of average cost or market, and parts inventory not expected to be sold in the next operating cycle has been reported separately. Work in process is valued at the average cost of parts inventory plus the standard cost of labor incurred on service work in process at year end.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed principally using the straight-line and declining balance methods over useful lives of the assets, which range from three to forty years as follows:

Buildings and leasehold improvements	15 - 40 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles	5 - 10 years
Rental fleet	5 years

The Company completes an evaluation, at each balance sheet date, whether or not events or circumstances have taken place to indicate that the remaining net book value of the assets may be unrecoverable. If necessary, the estimated future undiscounted cash flows of any assets in question are compared to their carrying value to determine if an adjustment to the recorded value is necessary.

Goodwill

Goodwill represents the excess of costs over the fair value of the assets of businesses acquired. Goodwill acquired in business combinations is assigned to the specific reporting unit for which it is related and is not amortized, rather tested for impairment at least annually, or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount of goodwill is greater than its fair value. As of January 31, 2008, the carrying value of goodwill was not considered impaired.

Intangible Assets

The covenants not to compete are being amortized using the straight-line method over the lives of the related agreements, which range from five to fifteen years. Debt issuance costs included in other assets are being amortized using the straight-line method over the lives of the related agreements, which range from six to seven years.

Customer Deposits

Customer deposits consist of advance payments from customers for revenue to be recognized in the following year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Lease Accounting

The Company periodically purchases equipment from its primary supplier that is subsequently sold to and leased back from a financing group. The Company records the sale of the equipment at the time units are sold to the financing group. Under the sale leaseback program, the lease period is four months or less and lease expense is recognized over the leasing period. The Company recognizes the entire sales transaction and gross profit on these units at the time of sale to the financing group due to the short leaseback period.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventory, property and equipment, intangible assets, stock-based compensation, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Company's policy is to recognize interest expense and penalties related to income tax matters within its provision for income taxes.

Earnings Per Share

Basic earnings per share were computed by dividing income available to common stockholders by the weighted average number of shares of common stock outstanding during the year. Accumulated preferred dividends and amortization of syndication fees were subtracted from net income to arrive at income available to common stockholders.

Diluted earnings per share were computed by dividing income available to common stockholders plus assumed conversions by the weighted-average shares of common stock outstanding after adjusting for potential dilution related to the conversion of all dilutive securities into common stock. All potentially dilutive securities were included in the computation of diluted earnings per share.

The components of basic earnings per share are as follows:

Basic—Earnings Per Share	2008	2007	2006
Net Income	\$ 5,212,698	\$ 3,638,311	\$ 2,731,865
Amortization of syndication fees—preferred stock (net of tax effect)	\$ (51,311)	\$ (21,185)	\$ (21,185)
Less: Preferred stock dividends—unpaid	(87,791)	(102,376)	(102,376)
Income available to common stockholders	\$ 5,073,596	\$ 3,514,750	\$ 2,608,304
Basic weighted-average shares outstanding	5,607,473	4,344,753	4,340,852
Basic—Earnings Per Share	\$ 0.90	\$ 0.81	\$ 0.60

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of diluted earnings per share are as follows:

Diluted—Earnings Per Share	2008	2007	2006
Income available to common stockholders	\$ 5,073,596	\$ 3,514,750	\$ 2,608,304
Plus: Income impact of assumed conversions			
Amortization of syndication fees—preferred stock (net of tax effect)	51,311	21,185	21,185
Preferred stock dividends—unpaid	87,791	102,376	102,376
Interest on convertible debentures (net of tax effect)	278,452	322,324	222,691
Income available to common stockholders plus assumed conversions	\$ 5,491,150	\$ 3,960,635	\$ 2,954,556
Diluted weighted-average shares outstanding:			
Basic weighted-average shares outstanding	5,607,473	4,344,753	4,340,852
Plus: Incremental shares from assumed conversions			
Convertible debentures	1,863,976	2,006,667	1,488,148
Convertible preferred shares	542,902	466,673	466,673
Warrants	152,657	65,377	10,498
Options	79,168	23,302	10,809
Diluted weighted-average shares outstanding	8,246,176	6,906,772	6,316,980
Diluted—Earnings Per Share	\$ 0.67	\$ 0.57	\$ 0.47

Revenue Recognition

Revenue on equipment and parts sales is recognized upon delivery of product to customers. Rental and service revenue is recognized at the time the related services are provided. In addition to outright sales of new and used equipment, certain rental agreements may include rent-to-purchase options. Under these agreements, customers are given a period of time to exercise an option to purchase the related equipment, with a portion of the rental payments being applied to the purchase price. Any such equipment is included in inventory until the purchase option is exercised. Rental revenue is recognized during the rental period, with equipment sales revenue being recognized upon the exercise of the purchase option.

Sales Taxes

The Company has customers in states and municipalities in which those governmental units impose a sales tax on certain sales. The Company collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Shipping and Handling Costs

Shipping and handling costs are recorded as cost of revenue and amounts billed to customers for shipping and handling costs are recorded in revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Manufacturer Incentives and Discounts

The Company receives various manufacturer incentives and discounts, which are based on a variety of factors. All such incentive payments are accounted for as a reduction of cost of revenue as they are earned.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. Advertising expense amounted to \$1,324,264, \$757,883, and \$613,325, respectively, for the years ended January 31, 2008, 2007 and 2006.

Stock-Based Compensation

The Company accounted for stock options in accordance with the provisions of the Financial Accounting Standards Board (FASB) Statement No. 123 (Revised), *Share-Based Payments*. Statement FAS 123(R) requires that share-based compensation, which includes stock options, be accounted for at the fair value of the applicable equity instrument. The Company utilized the Black Scholes option pricing model to value stock options.

Redeemable Securities

All redeemable securities were converted into shares of common stock concurrent with the Company's December 2007 initial public offering. The Company did not have sole control over the redemption features of its convertible preferred stock outstanding prior to its initial public offering and therefore classified all of this stock as redeemable securities, which was excluded from Stockholders' Equity. The Company determined the redemption of these instruments to be probable based upon the Company's decision to file a registration statement and initiate a public offering. Accordingly, the Company accrued all accumulated dividends on preferred stock as an increase to redeemable securities.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. As amended by FAS 157-2, the effective date of SFAS No. 157 for certain non-financial assets and liabilities was deferred to fiscal years beginning after November 15, 2008. The Company is in the process of evaluating the effect that the adoption of this standard will have on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the effect that the adoption of this standard will have on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* ("SFAS 141R"). SFAS 141R provides additional guidance on improving the relevance, representational

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is in the process of evaluating the effect that the adoption of this standard will have on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS 160 applies to all entities that prepare consolidated financial statements and have an outstanding noncontrolling interest in one or more subsidiaries. SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is in the process of evaluating the effect that the adoption of this standard will have on the Company's financial statements.

On December 21, 2007 the SEC staff issued Staff Accounting Bulletin No. 110 ("SAB 110"), which, effective January 1, 2008, amends and replaces SAB 107, *Share-Based Payment*. SAB 110 expresses the views of the SEC staff regarding the use of a "simplified" method in developing the expected life assumption in accordance with FASB Statement No. 123(R), *Share-Based Payment*. The use of the "simplified" method, was scheduled to expire on December 31, 2007. SAB 110 extends the use of the "simplified" method in certain situations. The SEC staff does not expect the "simplified" method to be used when sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The Company plans to track and capture employee exercise behavior in the future as a basis for its valuation assumptions. The Company currently uses simplified estimates as no options have yet been exercised.

NOTE 2—RECEIVABLES

	January 31, 2008	January 31, 2007
Trade accounts	\$ 4,210,302	\$ 2,821,702
Finance receivables	14,525,122	5,190,428
Volume discounts	2,329,242	2,013,815
Warranty claims	1,054,263	749,811
Other	130,905	181,085
	<u>\$ 22,249,834</u>	<u>\$ 10,956,841</u>
Less allowance for doubtful accounts	(188,559)	(35,792)
	<u>\$ 22,061,275</u>	<u>\$ 10,921,049</u>

TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3—INVENTORIES

	January 31, 2008	January 31, 2007
New equipment	\$ 78,409,999	\$ 48,431,945
Used equipment	44,478,010	41,913,153
Parts, tires and attachments	20,462,680	14,292,319
Work in process	2,416,177	1,616,445
	<u>\$ 145,766,866</u>	<u>\$ 106,253,862</u>

In addition to the above amounts, the Company has estimated that a portion of its parts inventory will not be sold in the next operating cycle. Accordingly, these balances have been classified as noncurrent assets.

NOTE 4—PROPERTY AND EQUIPMENT

	January 31, 2008	January 31, 2007
Rental fleet equipment	\$ 2,788,835	\$ —
Machinery and equipment	5,597,550	3,846,009
Vehicles	8,538,463	6,074,115
Furniture and fixtures	3,557,362	2,427,104
Land, buildings, and leasehold improvements	3,506,882	1,606,644
	<u>23,989,092</u>	<u>13,953,872</u>
Less accumulated depreciation	<u>(7,966,756)</u>	<u>(5,778,767)</u>
	<u>\$ 16,022,336</u>	<u>\$ 8,175,105</u>

NOTE 5—INTANGIBLE ASSETS AND GOODWILL

The following is a summary of non-goodwill intangibles as of January 31, 2008 and 2007:

	2008	2007
Covenants not to compete	\$ 759,330	\$ 552,511
Less accumulated amortization	<u>(422,088)</u>	<u>(383,635)</u>
	<u>\$ 337,242</u>	<u>\$ 168,876</u>

Future amortization expense is estimated as follows:

Years ending January 31,	Amount
2009	\$ 67,435
2010	60,250
2011	52,725
2012	51,685
2013	51,685
Thereafter	53,462
	<u>\$ 337,242</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changes in the carrying amount of goodwill during the years ended January 31, 2008 and 2007 are summarized as follows:

Goodwill	
Balance, January 31, 2006	\$ 1,365,147
Arising in completed business combinations	2,371,000
Impairment losses	—
Balance, January 31, 2007	3,736,147
Arising in completed business combinations	4,534,986
Impairment losses	—
Balance, January 31, 2008	<u>\$ 8,271,133</u>

NOTE 6—LINE OF CREDIT

The Company had no amount outstanding on the line of credit with Bremer Bank National Association at January 31, 2008 and 2007. The agreement provides for available borrowings of \$12,000,000 and carries a variable interest rate of prime minus 0.25% (5.75% at January 31, 2008) with monthly interest payments due, and has a maturity date of August 1, 2008. The line is secured by substantially all assets of the Company and a personal guarantee by its Chief Executive Officer.

NOTE 7—LONG-TERM DEBT

	January 31, 2008	January 31, 2007
Fixed rate note payable to Bremer Bank, 8.0% interest rate, Monthly payments of \$162,000 including interest, to August 2012, secured by substantially all assets and a personal guarantee by the Company's Chief Executive Officer	\$ 7,450,998	\$ 5,892,701
Fixed rate note payable to Bremer Bank, 8.0% interest rate. Monthly payments of \$40,000 to December, 2012. Secured by substantially all assets and a personal guarantee by the Company's Chief Executive Officer	1,925,326	—
Fixed and variable rate notes payable to CNH America LLC (CNH) fixed rates at 3.25% to 10.35% and variable rates at prime plus 0.3% (6.3% at January 31, 2008), total monthly installment payments of \$44,442 maturing August 2012. Secured by rental fleet equipment.	1,952,440	—
Fixed rate note to Aberdeen Equipment Co., 6.5% interest rate principal and interest payment of \$34,206 due quarterly, balance due July 2011, unsecured	945,253	—
Variable rate note to CNH (7.60% at January 31, 2008), monthly payments of \$43,142, maturing May 2009, secured by parts. Variable interest rate at prime plus 1.6%	690,270	1,164,831

TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Non-interest bearing notes to CNH, monthly payments of \$22,624, maturing June 2010, secured by parts. Variable interest rate at prime + 1.6% rate beginning July 2008	656,104	—
Non-interest bearing note to CNH, monthly payments of \$27,147, maturing October 2009, secured by parts. Variable interest rate at prime + 1.6% rate beginning November 2008	570,080	—
Non-interest bearing notes to CNH, in varying monthly installments, various maturity dates through February 2010, secured by parts	1,162,146	1,126,235
Variable rate notes payable to CNH 7.5% at January 31, 2008, due in quarterly installments of \$29,986, including interest. Balance due July 2008. Secured by equipment. Variable interest rate at prime plus 1.5%	569,734	—
Fixed rate notes payable to Ford Motor Credit and GMAC (5.99% to 9.85%), due in monthly installments including interest and various maturity dates thru December 2012, secured by vehicles	291,428	268,680
Fixed rate note to Avoca Implement and Greenfield Implement 10.0%, monthly payments of \$18,920. Matures January 2011, secured by equipment	759,080	—
Fixed rate note to Textron Financial, 7.09%, monthly payments of \$4,969, matures January 2018, secured by company asset	549,583	—
Variable rate note to CNH Capital America LLC, prime plus 1.5% (7.50% at January 31, 2008). Quarterly payments of \$22,000 due beginning May 31, 2008. Due November 2008	440,000	—
Non-interest bearing note payable under non-compete agreement, due in monthly installments which are capped at \$3,333 per month, actual payment calculated from related store profits	210,152	—
Fixed rate note payable to the Northwest Minnesota Foundation, 5.5%, amortized over 10 years, due August, 2009, secured by real estate and equipment	160,405	—
Variable rate notes payable to Case Credit, secured by equipment	—	138,000
Fixed rate note payable to former owner of Red Power International, 6.25%, monthly payments of \$3,193, due 4/1/11, unsecured	123,000	—
Variable rate note payable to CNH Capital America LLC, prime plus 1.6% (7.6% at January 31, 2008), through April 2010, payments of \$32,252 due annually, secured by equipment	96,758	129,010
Variable interest note payable with related party (6.0% at January 31, 2008), monthly interest only payments adjusting to Wells Fargo prime, matures in March 2008, unsecured	117,000	117,000

TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Variable rate note payable to CNH Capital America LLC, prime plus 1.5% (7.5% at January 31, 2008), quarterly payment of \$3,332, due beginning November 2007, balloon due August 2008	63,128	—
Non-interest bearing note payable to Fargo Tractor and Equipment, Inc., due in quarterly installments of \$3,750, to January 2009, unsecured	3,750	18,750
Variable rate note to Bremer Bank due in monthly installments of \$11,742, including interest, to January 2014, secured by substantially all assets and stockholder guarantees	—	750,000
Non-interest bearing note payable under non-compete agreement, due in annual installments on March 1 of each year through 2007	—	6,000
	<u>18,736,635</u>	<u>9,611,207</u>
Less current maturities	<u>(5,653,840)</u>	<u>(2,823,609)</u>
	<u>\$ 13,082,795</u>	<u>\$ 6,787,598</u>

Under covenants in the Bremer Bank note payable and a Bremer Bank floorplan agreement, the Company has agreed, among other things, to (1) comply with equipment and parts inventory turn ratios and (2) maintain various financial ratio levels.

Additionally, under covenants of the above note payable with Case Credit Corporation, the Company has agreed, among other things, to maintain various financial ratio levels and to submit certain financial information.

As of January 31, 2008, the Company was in compliance with all of the above covenants.

Long-term debt maturities are as follows:

12 Months Ending January 31,	Amount
2009	\$ 5,653,840
2010	3,982,388
2011	3,240,000
2012	3,354,388
2013	2,069,314
Thereafter	436,705
	<u>\$ 18,736,635</u>

NOTE 8—FLOORPLAN NOTES PAYABLE

Floorplan notes payable with a bank and manufacturers carry various interest rates ranging from 6.2% to 9.5% and are secured by substantially all assets of the Company. The Bremer Bank floorplan note payable, with a balance of \$353,839 at January 31, 2008, is also secured by the personal guarantee of the Company's Chief Executive Officer. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9—ACCRUED EXPENSES

	January 31, 2008	January 31, 2007
Interest	\$ 91,354	\$ 82,830
Compensation	5,253,561	1,752,564
Sales and payroll taxes	445,669	228,071
Health insurance claims liability	230,258	172,000
Other	117,000	52,212
	<u>\$ 6,137,842</u>	<u>\$ 2,287,677</u>

NOTE 10—SUBORDINATED DEBENTURES

	January 31, 2008	January 31, 2007
10% debentures to former owners of H.C. Clark Implement Co., interest payments due annually, balance due May 2010, unsecured, subordinated to bank and manufacturer debt	\$ 550,000	\$ 550,000
9% debentures to Vern Anderson, former owner of Vern Anderson Inc, interest payments due quarterly, balance due December 2010, unsecured, subordinated to bank and manufacturer debt	450,000	450,000
10% debentures to Bernard Smith, former owner of Smith International, interest payments due annually, balance due March 2010, unsecured, subordinated to bank and manufacturer debt	300,000	300,000
10.5% debentures to CNH Capital America, LLC, \$7,500,000 available, interest payments due quarterly, balance due April 2012, unsecured, subordinated to bank and manufacturer debt	—	7,248,912
9%-10% debentures to stockholders, interest payments due annually, balance due November 2012, unsecured, subordinated to bank and manufacturer debt(1)	—	3,350,000
7% debentures to CNH Capital America, LLC, interest payments due annually, balance due November 2012, unsecured, subordinated to bank and manufacturer debt	—	3,000,000
10.5% debentures to Titan Income Holdings, LLLP, \$2,000,000 available, interest payments due quarterly, balance due April 2012, unsecured, subordinated to bank and manufacturer debt(2)	—	1,705,500
5% debentures to stockholders, interest payments due annually, balance due November 2012, unsecured, subordinated to bank and manufacturer debt(1)	—	142,424
	<u>\$ 1,300,000</u>	<u>\$ 16,746,836</u>

- (1) These debentures were issued in January 2003 to the following related parties: David Meyer, Chief Executive Officer, \$536,965; C.I. Farm Power, Inc., affiliated with Peter Christianson, President and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Chief Financial Officer, \$1,739,292; Adam Smith Growth Partners, affiliated with Tony Christianson, a director, \$755,000; David Christianson, the brother of Tony and Peter Christianson, \$100,000; Adam Smith Activist Fund, LLC, affiliated with Tony Christianson, \$196,500; and Earl Christianson, father of Tony and Peter Christianson, \$164,667.

- (2) The Titan Income Holdings, LLLP debentures were issued with an offering completed April 2005. Titan Income Holdings is a limited liability limited partnership in which one of its general partners is Adam Smith Companies, affiliated with Tony Christianson, a director. Titan Income Holdings limited partners include Gordon Paul Anderson, a director, who holds a 2.5% interest, and James Irwin, a director, who holds a 4.9% interest through the Irwin Revocable Trust.

Scheduled future maturities of subordinated debentures are \$1,300,000 in the year ending January 31, 2011. Accrued interest payable related to the subordinated debentures totaled \$20,418 and \$330,441 as of January 31, 2008 and 2007.

In conjunction with its initial public offering, the Company exchanged or converted all outstanding convertible subordinated debentures of \$6,350,000 into 2,308,648 shares of common stock and retired \$9,442,424 in subordinated debentures. As a result of these transactions, the Company recognized debt retirement costs of \$3,823,574. The debt retirement costs consisted of \$2,406,554 of conversion costs, \$1,065,000 of repayment penalties and \$352,020 of unamortized debt issuance costs.

NOTE 11—OPERATING LEASES AND RELATED PARTY TRANSACTIONS

The Company leases building space from Meyer Family Limited Partnership, an entity affiliated by common ownership, under three operating leases. The leases are on a month-to-month basis with rentals negotiated annually (\$22,000 per month at January 31, 2008). The leases provide that the lessee pay all property taxes, utilities, insurance and all expenses necessary for the general upkeep of the buildings. The Company paid rent of \$264,000, \$304,100 and \$304,100 under these leases for the years ended January 31, 2008, 2007 and 2006, respectively.

The Company leases buildings on 20 different operating lease agreements from Dealer Sites, LLC, an entity affiliated by common ownership, with monthly rentals of \$196,376 at January 31, 2008. Rent expense for these leases totaled \$1,823,032, \$940,988 and \$595,440 for the years ended January 31, 2008, 2007 and 2006, respectively. The leases expire on various dates through December 2022. The leases provide that the lessee pay all property taxes, utilities, insurance and all expenses necessary for the general upkeep of the building.

The Company leases buildings on operating leases from Padre Partnership and Landco LLC, companies also affiliated through common ownership. The leases expire October 2008 and December 2008, respectively, and have monthly rentals of \$8,000 and \$6,500, respectively. In addition, through August 31, 2007 the Company leased a building from C.I. Farm Power, Inc., a company also affiliated through common ownership. This lease had a monthly rental of \$8,250. Rent expense for these leases totaled \$326,250 for the year ended January 31, 2008, \$215,000 for the year ended January 31, 2007, and \$195,000 for the year ended January 31, 2006.

The Company also leases 14 additional buildings under operating lease agreements with unrelated parties. The leases expire at various dates through July 2022.

The Company also leases office equipment under various operating lease agreements. Rent and lease expense under these agreements and the leases noted above totaled \$3,232,097, \$2,167,998 and \$1,603,468 during the years ended January 31, 2008, 2007 and 2006, respectively.

The Company's operating lease agreements are structured using straight line payment terms over the minimum lease period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Approximate minimum future lease payments are as follows:

Years ending January 31,	Amount
2009	\$ 3,791,884
2010	3,449,681
2011	3,100,019
2012	2,925,838
2013	2,633,848
Thereafter	\$ 23,840,535
	<u>\$ 39,741,805</u>

Three lease agreements grant the lessor the right to require the Company to purchase the leased premises during or at the conclusion of the lease term. If the lessors exercise this right, the Company would be obligated to pay up to \$1,305,000 for building assets. Of this amount, \$280,000 could be required beginning in fiscal 2009, while the remaining \$1,025,000 could be required in fiscal 2011.

The Company paid Cherry Tree Securities, LLC, affiliated with Tony Christianson, a director, a fee of \$125,000 related to successful completion of the initial public offering.

NOTE 12—INCOME TAXES

Net deferred tax assets and liabilities consist of the following components as of January 31, 2008 and 2007:

	2008	2007
Deferred tax assets		
Inventory allowances	\$ 604,000	\$ 353,000
Other accrued liabilities	279,000	79,000
Receivables	75,000	14,000
Stock based compensation	69,000	16,000
	<u>\$ 1,027,000</u>	<u>\$ 462,000</u>
Deferred tax liabilities		
Property and equipment	\$ 1,801,000	\$ 549,000
Intangibles	64,000	376,000
	<u>\$ 1,865,000</u>	<u>\$ 925,000</u>

The components giving rise to the net deferred tax assets and liabilities described above have been included in the accompanying balance sheets as of January 31, 2008 and 2007 as follows:

	2008	2007
Current assets	\$ 1,027,000	\$ 462,000
Noncurrent liabilities	(1,865,000)	(925,000)
	<u>\$ (838,000)</u>	<u>\$ (463,000)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The provision for income taxes charged to income for the years ended January 31, 2008, 2007 and 2006 consists of the following:

	2008	2007	2006
Currently payable			
Federal	\$ 3,260,000	\$ 1,949,000	\$ 1,432,000
State	760,000	427,000	312,000
Deferred	90,000	74,000	(23,000)
	<u>\$ 4,110,000</u>	<u>\$ 2,450,000</u>	<u>\$ 1,721,000</u>

The reconciliation of the statutory federal income tax rate to the Company's effective rate is as follows:

	2008	2007	2006
U.S. Statutory Rate	35.0%	35.0%	35.0%
State taxes on income net of federal tax benefit	5.3%	4.6%	4.5%
Unrecognized tax benefits	4.5%	—	—
All other, net	(0.7)%	0.6%	(0.9)%
	<u>44.1%</u>	<u>40.2%</u>	<u>38.6%</u>

Uncertain Tax Positions

On February 1, 2007, the Company adopted the provisions of Financial Interpretations No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (Issued 6/06)* ("FIN 48"). The Company did not record any uncertain tax positions as a result of the initial adoption of FIN 48 but did record an unrecognized tax benefit during the year ending January 31, 2008. This unrecognized tax benefit is included in other long term liabilities on the Company's Consolidated Balance Sheet. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	January 31, 2008
Balance at February 1, 2007	\$ —
Additions for tax positions related to current year	420,000
Additions/reductions for tax positions taken in prior years	—
Reductions for tax positions as a result of:	
Settlements	—
Lapse of statute of limitations	—
Balance at January 31, 2008	<u>\$ 420,000</u>

If recognized, the full \$420,000 of unrecognized tax benefits would affect the Company's effective tax rate. No amount of interest or penalties was recognized in the Statement of Operations or in the Balance Sheets. The Company files income tax returns in the U.S. federal jurisdiction and various states and is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years ending prior to January 31, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13—CAPITAL STRUCTURE

The Company effected a reincorporation from North Dakota to Delaware on December 11, 2007, the closing date of the Company's initial public offering.

The Company's certificate of incorporation provides the Company with the authority to issue 30,000,000 shares of \$0.00001 par value stock, consisting of 25,000,000 shares of common stock and 5,000,000 shares classified as undesignated. The Company did not have sole control over the redemption features of its convertible preferred stock outstanding prior to its initial public offering and therefore classified all of this stock as redeemable securities, which was excluded from Stockholder's Equity as of January 31, 2007.

All convertible preferred stock was converted into common stock concurrent with the closing of the initial public offering.

Series A Preferred Stock

Holders of Series A Preferred shares were entitled to annual dividends at the rate of \$0.21 per share. Preferred dividends were cumulative on these shares, and no dividends or distributions could be paid on outstanding common shares until all accrued and unpaid dividends on the Series A convertible preferred shares were paid. In addition, ten years after the original issuance, the preferred stockholders could have required the Company to redeem the preferred shares for the original preferred share purchase price (\$3.00 per share), plus any preferred return to which the stockholders could have been entitled.

There were no shares and 341,672 Series A convertible preferred shares issued and outstanding as of January 31, 2008 and 2007, respectively. A dividend was declared and all accumulated dividends were paid during the year ended January 31, 2008. There were no dividends declared or paid for the year ended January 31, 2007. Accumulated unpaid dividends totaled \$0 and \$273,850 at January 31, 2008 and 2007, respectively.

Series B Preferred Stock

Holders of Series B preferred shares were entitled to annual dividends at the rate of \$0.245 per share. These preferred dividends were cumulative, and no dividends or distributions could be paid on outstanding common shares until all accrued and unpaid dividends on the Series B convertible preferred shares were paid. In addition, ten years after the original issuance, the preferred stockholders could have required the Company to redeem the preferred shares for the original purchase price (\$3.50 per share) plus any preferred return to which the stockholders could have been entitled.

There were no shares and 125,001 Series B convertible preferred shares issued and outstanding as of January 31, 2008 and 2007, respectively. Accumulated unpaid dividends totaled \$0 and \$79,115 at January 31, 2008 and 2007, respectively.

NOTE 14—COMMON STOCK OPTIONS AND WARRANTS*Common Stock Warrants*

In April 2003, the Company issued stock warrants to Cherry Tree Securities, LLC, whose chairman is a director of the Company, for 11,917 shares of common stock at an exercise price of \$3.00 per share. The warrants terminate on April 7, 2013. In August 2004, the Company issued an additional

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6,071 stock warrants to Cherry Tree Securities at an exercise price of \$3.50 per share. These warrants terminate on July 1, 2014.

In addition, the Company issued stock warrants in April 2005 to an outside party for 115,650 shares of common stock at an exercise price of \$3.50 per share. These warrants expire on April 7, 2013.

In January 2006 and March 2006, the Company issued stock warrants to a manufacturer for 160,625 and 80,313 shares of common stock, respectively, at an exercise price of \$4.50 per share. These warrants were exercised prior to, and the shares of common stock issued in connection therewith were sold in, the Company's initial public offering.

The following is a summary of outstanding stock purchase warrants as of January 31, 2008:

Issue Date	Outstanding Warrants			Purpose of Issuance
	Number	Exercise Price	Fair Value Assigned	
April 2003	11,917	\$ 3.00	\$ 11,200	Facilitate preferred stock issuance
August 2004	6,071	\$ 3.50	\$ 6,600	Facilitate preferred stock issuance
April 2005	115,650	\$ 3.50	\$ 126,000	Subordinated debt financing transaction

Outstanding stock warrants are valued using the Black Scholes option pricing model. Assumptions used to value the warrants are similar to those used in valuing the stock options as described below. Warrants issued in conjunction with a debt offering are valued and classified as Additional Paid-In Capital, per APB 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*.

Stock Award Plans

The Company implemented the 2005 Equity Incentive Plan, a stock-based compensation plan, during the year ended January 31, 2006. In August 2007, the plan was amended to increase the number of shares available under the plan from 500,000 to 1,000,000 shares. The purpose of the plan is to provide incentive compensation to participants for services that have been or will be performed for continuing as employees or members of the board of directors of the Company. Under the plan, the Company may grant options and restricted stock for up to 1,000,000 shares of common stock under all forms of awards. The Company has elected to account for stock options and restricted stock using the fair value method under SFAS 123(R). Shares issued for option exercises may be either authorized but unissued shares, or shares of treasury stock acquired in the open market.

TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes stock option activity for the years ended January 31, 2008 and 2007:

Stock Options

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 31, 2006	9,250	\$ 4.00		
Granted	105,667	4.50		
Exercised	—	—		
Outstanding at January 31, 2007	114,917	\$ 4.46	8.92	\$ 4,597
Granted	368,335	8.14		
Exercised	—	—		
Outstanding at January 31, 2008	483,252	\$ 7.43	9.13	\$ 4,374,084
Options exercisable at January 31, 2007	19,917	\$ 4.27	8.54	\$ 33,700
Options exercisable at January 31, 2008	49,085	\$ 4.41	8.08	\$ 592,663

The following table summarizes restricted stock activity for the years ended January 31, 2008 and 2007:

Restricted Stock

	Shares	Weighted Average Remaining Contractual Term
Outstanding at January 31, 2006	—	—
Granted	15,388	
Forfeited	—	
Issued	(3,901)	
Outstanding at January 31, 2007	11,487	5.00
Granted	66,933	
Forfeited	—	
Issued	(1,914)	
Outstanding at January 31, 2008	76,506	3.22

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of each stock-based award granted is estimated using the Black-Scholes pricing model. The following assumptions were made in estimating fair value:

Assumption	Fixed Plan
Dividend Yield	0%
Risk-free interest rate	3.6 - 4.9%
Expected life	3 - 10 years
Expected volatility	14 - 22%

Prior to the Company's initial public offering, the expected volatility was based upon management's best estimate of the value of the shares based upon the Company's internal market. Subsequent to the offering, the Company will estimate its volatility using its quoted market price. The expected life assumptions for options currently granted is based upon the average expected term of service by directors and contractual term of the agreements for employees. The following is a summary of the status of options outstanding and exercisable at January 31, 2008 under the fixed share-based payment plan:

Exercise Price	Outstanding Options			
	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable Options Number
\$4.00	9,250	7 years	\$ 4.00	9,250
4.50	119,002	8.1 years	4.50	39,835
7.50	80,000	9.5 years	7.50	—
8.50	181,000	10 years	8.50	—
9.35	94,000	10 years	9.35	—

The weighted average grant date fair value of options granted during the years ended January 31, 2008, 2007 and 2006 was \$2.94, \$1.80 and \$1.56, respectively. The weighted average grant date fair value of restricted stock granted during the years ended January 31, 2008, 2007 and 2006 was \$8.50, \$3.25 and \$0, respectively. Compensation cost charged to operations under the equity incentive plan was \$127,100 and \$58,107 for the years ended January 31, 2008 and 2007, respectively. For the year ended January 31, 2006, the amount of compensation cost to be charged to operations was determined to be immaterial. The income tax benefit recognized from all stock-based compensation arrangements was \$50,800, \$22,700 and \$0, respectively, for the years ended January 31, 2008, 2007 and 2006. The income tax benefit realized from all stock-based payment arrangements was \$5,750, \$6,550 and \$0 for the years ended January 31, 2008, 2007 and 2006, respectively. For the years ended January 31, 2008, 2007 and 2006, no options were exercised. As of January 31, 2008, there was \$1,113,100 of unrecognized compensation cost on non-vested awards related to the stock incentive plan. That cost is expected to be recognized over a weighted-average period of 4.7 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15—EMPLOYEE BENEFIT PLANS

The Company has a 401(k) profit-sharing plan for those full-time employees at least 19 years of age. The Company makes matching contributions of 50% of qualifying employee elective contributions to the plan. The Company's matching contributions to the plan of \$698,996, \$505,797 and \$301,552 were charged to expense for the years ended January 31, 2008, 2007 and 2006, respectively. In addition, the Company may make a discretionary contribution to the plan as determined by the board of directors, with a maximum amount equal to the amount allowed under the Internal Revenue Service regulations. The Company did not make any discretionary contributions to the plan for the years ended January 31, 2008, 2007 and 2006.

NOTE 16—CONTINGENCIES*Guarantees of Customer Credit*

The Company may provide a guarantee to the third party who is financing the customer's purchase. The third party financing is secured by the equipment the customer has purchased; however, the Company may still be liable to the third party financier in certain circumstances. The Company's outstanding customer guarantees as of January 31, 2008, 2007 and 2006 were \$483,000, \$2,879,000 and \$3,192,000, respectively. Management believes the contingent liability related to these guarantees is not material due to the securitization of the financing by the equipment and the Company's history with these arrangements.

NOTE 17—BUSINESS COMBINATIONS

The Company continued to implement its strategy of consolidating dealerships in desired market areas. Below is a summary of the acquisitions completed for the years ended January 31, 2008, 2007 and 2006. In certain of the business combination transactions the Company recognized goodwill. Factors contributing to the recognition of goodwill include an evaluation of enterprise value, historical financial performance, estimated industry potential within the market and the market territory relationship to other existing and future planned Company locations. Pro forma results are not presented as the acquisitions are not considered material, individually or in aggregate, to the Company.

Fiscal 2008*Avoca Operations, Inc. and Greenfield Operations, Inc.*

On January 2, 2008, the Company acquired 100% of the outstanding stock of Avoca Operations, Inc. and Greenfield Operations, Inc. in a related transaction. The dealerships are located in Avoca and Greenfield, Iowa, and are contiguous to existing markets. The total cash purchase price was \$3,784,164. The Company expects the allocation of the purchase price will be finalized during the fiscal year ending January 31, 2009.

Reiten and Young International, Inc.

On December 1, 2007, the Company acquired Reiten and Young International, Inc. The dealership is located in Grand Forks, North Dakota, and is contiguous to existing markets. The purchase price of the dealership was \$1,999,999 in Company common stock. The Company expects the allocation of the purchase price will be finalized during the fiscal year ending January 31, 2009.

TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Twin City Implement, Inc.

On November 13, 2007, the Company acquired the assets of Twin City Implement, Inc. The dealership is located in Mandan, North Dakota and is contiguous to existing markets. The acquisition increases the Company's market share in the west/central part of North Dakota. The total cash purchase price was \$1,891,291.

Red Power International

On August 1, 2007, the Company acquired Red Power International. The dealerships are located in Minnesota and contiguous to existing markets. The acquisition expands the Company's market share in the state. The Company acquired 100% of the common stock of Red Power International, Inc. in exchange for 323,533 shares of Series D convertible preferred stock issued by the Company and valued at \$2,426,497. The Company's Series D convertible preferred stock was automatically converted into common stock of the Company in connection with the Company's initial public offering. The Company expects the allocation will be finalized during the fiscal year ending January 31, 2009.

Aberdeen Equipment, Huron Equipment and Redfield Equipment

On April 13, 2007, the Company acquired the assets of the related entities of Aberdeen Equipment, Huron Equipment and Redfield Equipment. The dealerships are located in South Dakota and contiguous to existing markets. The acquisition expands the Company's market share in the state. The total cash purchase price was \$4,095,864.

Richland County Implement

The Company acquired the assets of Richland County Implement in February 2008. The total cash purchase price was \$1,030,713. Through the acquisition, the Company increased its market share in existing markets in the Wahpeton area and gained control of the New Holland dealership.

The allocation of the purchase price in the above business combinations is presented in the following table:

	Avoca and Greenfield Operations Inc.	Reiten and Young International Inc.	Twin City Implement Inc.	Red Power International	Aberdeen, Huron, and Redfield Equipment	Richland County Implement	Total
Cash	\$ —	\$ 409,904	\$ 350	\$ 288,810	\$ —	\$ —	\$ 699,064
Accounts receivable	1,226,136	392,250	—	907,528	112,788	—	2,638,702
Inventories	10,230,045	3,629,433	3,705,167	6,657,915	4,648,779	3,458,636	32,329,975
Property and equipment	778,000	312,589	437,319	635,882	600,000	172,685	2,936,475
Goodwill	681,070	435,490	600,000	318,427	2,500,000	—	4,534,987
Other current assets	—	28,808	—	26,940	—	—	55,748
	\$ 12,915,251	\$ 5,208,474	\$ 4,742,836	\$ 8,835,502	\$ 7,861,567	\$ 3,631,321	\$ 43,194,951
Accounts Payable	\$ 778,000	\$ 158,250	\$ 192,630	\$ 224,563	\$ 2,383,568	\$ 250,000	\$ 3,987,011
Floorplan notes payable	8,072,017	2,940,226	2,658,915	5,593,370	382,135	2,220,608	21,867,271
Other liabilities assumed	—	—	—	389,553	—	130,000	519,553
Long term debt	—	—	—	—	1,000,000	—	1,000,000
Deferred tax liability	281,070	109,999	—	201,518	—	—	592,587
	\$ 9,131,087	\$ 3,208,475	\$ 2,851,545	\$ 6,409,004	\$ 3,765,703	\$ 2,600,608	\$ 27,966,422
Consideration given	\$ 3,784,164	\$ 1,999,999	\$ 1,891,291	\$ 2,426,498	\$ 4,095,864	\$ 1,030,713	\$ 15,228,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Of the total goodwill of \$4,534,987 recorded in the acquisition transactions during the year ended January 31, 2008, \$3,100,000 is expected to be deductible for tax purposes.

Fiscal 2007*Farm Power, Inc. of Minnesota and FPI Leasing*

On March 31, 2006, the Company acquired 100% of the outstanding common stock of Farm Power, Inc. of Minnesota and its wholly owned subsidiary, Fergus International, Inc. In addition, as of the same date, the Company purchased the inventory of FPI Leasing, an entity related to Fargo Power Inc. of Minnesota through common ownership. The total cash purchase price for the dealership was \$7,868,158.

Priorier Equipment Company, Inc & RAJ Equipment

On June 15, 2006, the Company acquired the assets of Priorier Equipment Company, Inc and RAJ Equipment, its related entity. The total cash purchase price was \$4,304,990.

The allocation of the purchase price in the above business combinations is presented in the following table:

	Farm Power Inc. of MN and FPI Leasing	Priorier Equipment Company, Inc. & RAJ Equipment	Total
Cash	\$ 85,095	\$ —	\$ 85,095
Accounts receivable	22,731	—	22,731
Inventories	9,106,919	7,941,054	17,047,973
Property and equipment	1,100,000	631,225	1,731,225
Goodwill	2,371,000	—	2,371,000
	<u>\$ 12,685,745</u>	<u>\$ 8,572,279</u>	<u>\$ 21,258,024</u>
Floorplan notes payable	\$ 3,579,337	\$ 4,267,289	\$ 7,846,626
Other liabilities assumed	842,250	—	842,250
Deferred tax liability	396,000	—	396,000
	<u>\$ 4,817,587</u>	<u>\$ 4,267,289</u>	<u>\$ 9,084,876</u>
Consideration given	<u>\$ 7,868,158</u>	<u>\$ 4,304,990</u>	<u>\$ 12,173,148</u>

Of the total goodwill of \$2,371,000 recorded in the acquisition transactions during the year ended January 31, 2007, none is expected to be deductible for tax purposes.

Fiscal 2006*Smith International Inc.*

On March 1, 2005, the Company acquired the assets of Smith International, Inc. The total cash purchase price for the dealership was \$1,222,271.

H.C. Clark Implement Co., Inc.

On May 16, 2005, the Company acquired the assets of H.C. Clark Implement Co., Inc. The total cash purchase price for the dealership was \$768,514.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Dike, Iowa

On November 1, 2005, the Company assumed management of the operations of a dealership located in Dike, Iowa. The Company initially operated the dealership as an independent contractor authorized by Case New Holland. A group with common ownership interests purchased the buildings at the site in December 2006. The Company currently leases the facility for \$6,500 per month and utilizes the location as an outlet store.

Vern Anderson, Inc.

On November 1, 2005, the Company acquired the assets of Vern Anderson, Inc. The total cash purchase price for the dealership was \$585,229.

The allocation of the purchase price in the above business combinations is presented in the following table:

	Smith International Inc.	H.C. Clark Implement Co Inc.	Vern Anderson Inc.	Total
Accounts receivable	\$ 66,728	\$ —	\$ —	\$ 66,728
Inventories	4,275,742	2,501,249	4,083,816	10,860,807
Property and equipment	236,000	200,000	829,239	1,265,239
Goodwill	300,000	100,000	—	400,000
	\$ 4,878,470	\$ 2,801,249	\$ 4,913,055	\$ 12,592,774
Floorplan notes payable	\$ 3,356,199	\$ 1,482,735	\$ 3,877,826	\$ 8,716,760
Other liabilities assumed	300,000	550,000	450,000	1,300,000
Deferred tax liability	—	—	—	—
	\$ 3,656,199	\$ 2,032,735	\$ 4,327,826	\$ 10,016,760
Consideration given	\$ 1,222,271	\$ 768,514	\$ 585,229	\$ 2,576,014

Of the total goodwill of \$400,000 recorded in the acquisition transactions during the year ended January 31, 2006, \$400,000 is expected to be deductible for tax purposes.

NOTE 18—FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Quoted market prices are generally not available for the Company's financial instruments. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. As explained in Note 1, actual results could differ from the estimates.

The carrying amount of cash, receivables, payables, short-term debt and other current liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments. Based upon current borrowing rates with similar maturities, the fair value of the long-term debt approximates the carrying value as of January 31, 2008 and 2007.

NOTE 19—SUBSEQUENT EVENTS

On February 1, 2008, the Company acquired certain assets of an agricultural equipment dealership in Roseau, Minnesota for approximately \$3.3 million paid in cash.

Schedule II—Valuation and Qualifying Accounts and Reserves
Titan Machinery Inc.

Classification	Beginning Balance	Additions Charged to Expenses	Deductions for Write-offs	Ending Balance
Valuation reserve deduction from receivables:				
Year ended January 31, 2008	\$ 35,792	\$ 367,248	\$ (214,481)	\$ 188,559
Year ended January 31, 2007	34,116	46,359	(44,683)	35,792
Year ended January 31, 2006	22,894	159,290	(148,068)	34,116

Classification	Beginning Balance	Additions Charged to Cost of Revenue	Deductions for Write-offs	Ending Balance
Valuation reserve deduction from inventory:				
Year ended January 31, 2008	\$ 143,300	\$ 483,356	\$ —	\$ 626,656
Year ended January 31, 2007	161,600	(18,300)	—	143,300
Year ended January 31, 2006	131,200	30,400	—	161,600

TITAN MACHINERY

Your Solutions Dealer



Store Locations:



Our Retail Distribution Network Features the CNH Brands:



3,500,000 Shares

TITAN ***MACHINERY***

Common Stock

PROSPECTUS

Craig-Hallum Capital Group

Robert W. Baird & Co.

, 2008

PART II.

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. Other expenses of issuance and distribution.

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts shown are estimates, except the SEC registration fee and the Financial Industry Regulatory Authority, Inc. filing fee.

	Amount
SEC registration fee	\$ 3,616
FINRA fee	\$ 9,682
Legal fees and expenses	\$ 180,000
Accounting fees and expenses	\$ 10,000
Printing expenses	\$ 75,000
Transfer agent and registrar fees and expenses	\$ 3,500
Miscellaneous	\$ 218,202
Total	\$ 500,000

ITEM 14. Indemnification of directors and officers.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to an action by reason of the fact that he or she was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of an action by or in right of the corporation, no indemnification may generally be made in respect of any claim as to which such person is adjudged to be liable to the corporation. Our bylaws provide that we will indemnify and advance expenses to our directors and officers (and may choose to indemnify and advance expenses to other employees and other agents) to the fullest extent permitted by law, subject to certain procedural and other requirements set forth in the bylaws; provided, however, that in the event the corporation enters into an indemnification agreement with such directors or officers, such agreement controls. Our bylaws also permit us to carry insurance, which we have obtained, on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit indemnification.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- breach of a director's duty of loyalty to the corporation or its stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- transaction from which the director derives an improper personal benefit.

Our certificate of incorporation provides that our directors are not personally liable for breaches of fiduciary duties to the fullest extent permitted by the Delaware General Corporation Law.

These limitations of liability do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or rescission.

Section 145(g) of the Delaware General Corporation Law permits a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation. Our bylaws permit us to secure, and we have secured, insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit indemnification.

As permitted by the Delaware General Corporation Law, we have entered into indemnity agreements with each of our directors and officers that require us to indemnify such persons against various actions including, but not limited to, third-party actions where such director or officer, by reason of his or her corporate status, is a party or is threatened to be made a party to an action, or by reason of anything done or not done by such director or officer in any such capacity. We intend to indemnify directors and officers against all costs, judgments, penalties, fines, liabilities, amounts paid in settlement by or on behalf such directors and officers, and for any expenses actually and reasonably incurred by such directors and officers in connection with such action, if such directors or officers acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful. We also intend to advance to our directors and officers expenses (including attorney's fees) incurred by such directors or officers in advance of the final disposition of any action after the receipt by the corporation of a statement or statements from directors or officers requesting such payment or payments from time to time, provided that such statement or statements are accompanied by an undertaking, by or on behalf of such directors or officers, to repay such amount if it shall ultimately be determined that they are not entitled to be indemnified against such expenses by the corporation.

The indemnification agreements also set forth certain procedures that will apply in the event of a claim for indemnification or advancement of expenses, including, among others, provisions about providing notice to the corporation of any action in connection with which a director or officer seeks indemnification or advancement of expenses from the corporation, and provisions concerning the determination of entitlement to indemnification or advancement of expenses.

Prior to the closing of this offering we plan to enter into an underwriting agreement, which will provide that the underwriters are obligated, under some circumstances, to indemnify our directors, officers and controlling persons against specified liabilities.

ITEM 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, we issued the securities described below that were not registered under the Securities Act of 1933, as amended (the "Securities Act"). None of the transactions involved any underwriters, underwriting discounts, or commissions or any public offering, and we believe each transaction, if deemed to be a sale of a security, was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder, based on the limited number of offerees in any such offering, representations and warranties made by such offerees in the particular transactions, or the identity of such offerees as either accredited investors or our executive officers.

1. On April 15, 2005, we completed the sale of \$1.8 million in subordinated convertible debentures, along with a warrant for the purchase of 115,650 shares of common stock, to a single accredited investor, Titan Income Holdings, LLLP. The proceeds from this offering were used for

working capital and general corporate purposes, including acquisitions. No other offerings were integrated with this offering.

2. In November 2005, we completed the sale of a \$3,000,000 subordinated convertible note to a single accredited investor, CNH Capital America, LLC. The aggregate amount raised in the offering was \$3,000,000. The proceeds from this offering were used for an acquisition.

3. In January 2006, we issued a warrant for the purchase of 160,625 shares of common stock to CNH Capital America, LLC, an accredited investor, in connection with a lending arrangement pursuant to which CNH Capital provided a line of credit in the aggregate amount of \$7,500,000 and we received \$50 in cash consideration. The proceeds from the lending arrangement were used for working capital and general corporate purposes including acquisitions.

4. On March 24, 2006, we issued a warrant for the purchase of 80,313 shares of common stock to CNH Capital America, LLC, an accredited investor, in connection with a draw under the \$7,500,000 loan facility with CNH Capital.

5. On August 1, 2007, we issued an aggregate of 323,533 shares of Series D Preferred Stock to individuals affiliated with Red Power International, Inc., each of whom is an accredited investor, in connection with our acquisition of Red Power's Case IH and New Holland dealership in Crookston, Minnesota.

6. On December 11, 2007, we issued 1,641,981 shares of common stock to David Meyer, Adam Smith Growth Partners, David Christianson, Adam Smith Activist Fund, Earl Christianson and C.I. Farm Power in exchange for the cancellation of \$3,350,000 in principal amount of convertible subordinated debentures that bear interest at 9% or 10% per annum. We received no proceeds in connection with this exchange. Each of these debenture holders is an accredited investor. Also on December 11, 2007, we issued an aggregate of 235,294 shares of common stock as consideration for the acquisition of Reiten & Young International, Inc. to the former shareholders of that entity.

ITEM 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

The exhibits filed with this registration statement are set forth on the Exhibit Index filed as part of this registration statement immediately following the signatures on this registration statement.

(b) Financial Statement Schedules

Financial statement schedules have been omitted, because they are not applicable, are not required, or the information is included in the Financial Statements or Notes thereto, or elsewhere in the prospectus.

ITEM 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of

appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered, and the offering of these securities at that time shall be deemed to be the initial bona fide offering.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 1 to Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fargo, State of North Dakota on this 2nd day of May, 2008.

TITAN MACHINERY INC.

By: /s/ DAVID J. MEYER

David J. Meyer
Chairman of the Board and Chief Executive Officer

In accordance with the Securities Act of 1933, this Registration Statement was signed by the following persons in the capacities and on the date stated.

Signature	Title	Date
<u>/s/ DAVID J. MEYER</u>	Chairman of the Board and Chief Executive Officer	May 2, 2008
David J. Meyer	<i>(principal executive officer)</i>	
<u>*</u>	President, Chief Financial Officer and Director	May 2, 2008
Peter Christianson	<i>(principal financial and accounting officer)</i>	
<u>*</u>		
Gordon Paul Anderson	Director	May 2, 2008
<u>*</u>		
John Bode	Director	May 2, 2008
<u>*</u>		
Tony Christianson	Director	May 2, 2008
<u>*</u>		
James Irwin	Director	May 2, 2008
<u>*</u>		
James Williams	Director	May 2, 2008
<u>* /s/ DAVID J. MEYER</u>		
By: David J. Meyer		
May 2, 2008	Attorney-in-fact	

The following exhibits are filed as part of this registration statement, pursuant to Item 601 of Regulation S-K.

No.	Description
1.1	Form of Underwriting Agreement
3.1***	Certificate of Incorporation of the registrant
3.2***	Bylaws of the registrant
4.1***	Specimen Certificate representing shares of common stock of Titan Machinery Inc.
4.2***	Common Stock Purchase Warrant, dated April 7, 2003, in favor of Cherry Tree Securities, LLC.
4.3***	Common Stock Purchase Warrant, dated August 1, 2004, in favor of Cherry Tree Securities, LLC.
4.4***	Common Stock Purchase Warrant, dated April 15, 2005, in favor of Titan Income Holdings, LLLP.
4.5***	Common Stock Purchase Warrant, dated February 15, 2005, in favor of Titan Income Holdings, LLLP.
5.1*	Opinion of Fredrikson & Byron, P.A.
10.1***	2005 Equity Incentive Plan**
10.2***	Employment Agreement, dated November 16, 2007, between David Meyer and the registrant**
10.3***	Employment Agreement, dated November 16, 2007, between Peter Christianson and the registrant**
10.4***	Non-employee Director Compensation Policy**
10.5***	Agricultural Equipment Sales & Service Agreement, dated December 31, 2002, between Case, LLC and the registrant
10.6***	Construction Equipment Sales & Service Agreement, dated effective April 8, 2003, between Case, LLC and the registrant
10.7***	Dealer Agreement, dated April 14, 2003, between New Holland North America, Inc. and the registrant, as amended December 27, 2005 and December 9, 2006.
10.8***	Construction Equipment Sales & Service Agreement, dated effective June 15, 2006, between CNH America, LLC and the registrant
10.9***	Dealer Agreement, effective February 20, 2007, between CNH America LLC and the registrant
10.10***	Dealer Agreement, dated effective June 22, 2006, between CNH America LLC and the registrant
10.11***	Dealer Agreements, dated effective April 1, 2006, between CNH America and the registrant
10.12***	Dealer Agreement, dated April 1, 2005, between CNH America LLC and the registrant.
10.13***	Dealer Agreement, dated effective January 1, 2000 between New Holland North America, Inc. and the registrant
10.14***	Dealer Security Agreements between New Holland North America, Inc. and the registrant

- 10.15*** Dealer Security Agreements between CNH America LLC and the registrant
- 10.16*** Lease by and between Rocking Horse Farm, LLC and the registrant, dated August 2, 2004, and Addendum No. 1 thereto dated September 13, 2005.
- 10.17*** Wholesale Floor Plan Credit Facility and Security Agreement, dated as of February 21, 2006, between CNH Capital America LLC and the registrant.
- 10.18*** Agreement for Wholesale Financing, dated June 29, 2004, between GE Commercial Distribution Finance Corporation and the registrant (and amendments dated January 24, 2007, November 7, 2005, June 29, 2004).
- 10.19*** Loan Agreement, dated August 7, 2007, between Bremer Bank, N.A. and the registrant.
- 10.20*** Shareholder Rights Agreement, dated April 7, 2003, by and between the registrant and the individuals listed on Schedule A.
- 10.21*** Amendment No. 1 to Shareholder Rights Agreement, dated January 31, 2006, by and between the registrant and the individuals listed on Schedule A.
- 10.22*** Form of Incentive Stock Option Agreement under the 2005 Equity Incentive Plan.
- 10.23*** Form of Non-Qualified Stock Option Agreement under the 2005 Equity Incentive Plan.
- 10.24*** Form of Restricted Stock Agreement under the 2005 Equity Incentive Plan.
- 10.25*** Amended and Restated Wholesale Floorplan Credit Facility and Security Agreement, dated November 13, 2007, between CNH Capital America LLC and the registrant.
- 10.26*** Consent and Agreement, dated November 13, 2007, between CNH Capital America LLC and the registrant.
- 10.27*** Amendment to Case IH Agricultural Equipment Sales and Service Agreement, dated November 14, 2007, between CNH America LLC and Red Power International, Inc.
- 10.28*** Amendment to Case IH Agricultural Equipment Sales and Service Agreements, dated November 14, 2007, between CNH America LLC and the registrant.
- 10.29*** Amendment to Case Construction Equipment Sales and Service Agreements, dated November 14, 2007, between CNH America LLC and the registrant.
- 10.30*** Amendment to Kobelco Construction Machinery America LLC Dealer Agreement, dated November 14, 2007, between Kobelco Construction Machinery America LLC and the registrant.
- 10.31*** Amendment to CNH America LLC Dealer Agreement for New Holland Construction Products, dated November 14, 2007, between CNH America LLC and the registrant.
- 10.32*** Amendment to CNH America LLC Dealer Agreement for New Holland Agricultural Equipment, dated November 14, 2007, between CNH America LLC and the registrant.
- 10.33*** Recapitalization Agreement, dated effective August 16, 2007, among the registrant, David J. Meyer, C.I. Farm Power, Inc., Peter Christianson, Adam Smith Growth Partners, L.P., Adam Smith Companies, LLC, Tony J. Christianson, Adam Smith Activist Fund, LLC, David Christianson and Earl Christianson.
- 10.34*** Form of Director and Officer Indemnification Agreement.
- 10.35*** Agreement, dated July 17, 2007, between Cherry Tree Securities, LLC and the registrant.

10.36***	Amendment to Loan Documents dated December 4, 2007 between the registrant and Bremer Bank, N.A.
10.37	Titan Machinery Inc. Fiscal 2009 Non-Employee Director Compensation Plan (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2007).**
10.38	Titan Machinery Inc. Fiscal 2008 Executive Bonus Plan (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2007).**
10.39	Compensation Arrangements for Executive Officers (incorporated by reference to Exhibit 10.39 to the registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2008).**
21	Subsidiaries of the Registrant: Transportation Solutions, LLC
23.1	Consent of Eide Bailly LLP.
23.2*	Consent of Fredrikson & Byron, P.A. (included in Exhibit 5.1).
24.1*	Power of Attorney (included on Page II-4).

* Previously filed.

** Indicates management contract or compensatory plan or arrangement.

*** Incorporated by reference to the corresponding exhibit numbers to our Registration Statement on Form S-1, Reg. No. 333-145526

TITAN MACHINERY INC.
Common Stock

PURCHASE AGREEMENT

, 2008

CRAIG-HALLUM CAPITAL GROUP LLC
ROBERT W. BAIRD & CO. INCORPORATED

As Representatives of the several
Underwriters named in Schedule I-A
c/o Craig-Hallum Capital Group LLC
222 South Ninth Street, Suite 350
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Titan Machinery Inc., a Delaware corporation (the "*Company*"), and the stockholders of the Company listed and defined in *Schedule I-B* (the "*Selling Stockholders*") severally propose to sell to the several Underwriters named in *Schedule I-A* (the "*Underwriters*") an aggregate of _____ shares (the "*Firm Shares*") of common stock, \$0.00001 par value per share (the "*Common Stock*"), of the Company. The Firm Shares consist of _____ authorized but unissued shares of Common Stock to be issued and sold by the Company and _____ shares of Common Stock to be sold by the Selling Stockholders, with each Selling Stockholder selling the number of Firm Shares set forth opposite such Selling Stockholder's name in *Schedule I-B*. The Company has also granted to the several Underwriters an option to purchase up to _____ additional shares of Common Stock on the terms and for the purposes set forth in Section 3 (the "*Option Shares*"). The Firm Shares and any Option Shares purchased pursuant to this Purchase Agreement are herein collectively called the "*Securities*."

The Company and the Selling Stockholders hereby confirm their agreement with respect to the sale of the Securities to the several Underwriters, for whom you are acting as representatives (the "*Representatives*").

1. **Registration Statement and Prospectus.** A registration statement on Form S-1 (File No. 333-_____) (the "*initial registration statement*") with respect to the Securities, including a preliminary form of prospectus, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "*Securities Act*"), and the rules and regulations ("*Rules and Regulations*") of the Securities and Exchange Commission (the "*Commission*") thereunder and has been filed with the Commission; one or more amendments to the initial registration statement have also been so prepared and have been, or will be, so filed; and, if the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Securities Act, the Company will prepare and file with the Commission a registration statement with respect to such increase pursuant to Rule 462(b). Copies of the registration statement(s) and amendments and each related preliminary prospectus, as applicable, have been delivered to you.

If the Company has elected not to rely upon Rule 430A of the Rules and Regulations, the Company has prepared and will promptly file an amendment to the registration statement and an amended prospectus. If the Company has elected to rely upon Rule 430A of the Rules and Regulations, it will prepare and file a prospectus pursuant to Rule 424(b) that discloses the information previously omitted from the prospectus in reliance upon Rule 430A ("*Rule 430A Information*"). "*Original Registration Statement*" as of any time means the initial registration statement, in the form then filed with the Commission, including all amendments to the initial registration statement as of such time, all information contained in the 462(b) Registration Statement (if any) and then deemed to be a part of the initial registration statement pursuant to the General Instructions of Form S-1, all of

the documents incorporated by reference therein pursuant to Item 12 of Form S-1 and all information (if any) included in a prospectus then deemed to be a part of the initial registration statement pursuant to Rule 430C of the Rules and Regulations or retroactively deemed to be a part of the initial registration statement pursuant to Rule 430A(b) of the Rules and Regulations. "Rule 462(b) Registration Statement" as of any time means the additional registration statement in the form then filed with the Commission, including the contents of the Original Registration Statement incorporated by reference therein and including all information (if any) included in a prospectus then deemed to be a part of the additional registration statement pursuant to Rule 430C or retroactively deemed to be a part of the additional registration statement pursuant to Rule 430A(b). "Registration Statement" as of any time means the Original Registration Statement and any Rule 462(b) Registration Statement as of such time. For purposes of the foregoing definitions, information contained in a form of prospectus that is deemed retroactively to be a part of the Registration Statement pursuant to Rule 430A shall be considered to be included in the Registration Statement as of the time specified in Rule 430A. For purposes of this Agreement, "Effective Time" with respect to the Original Registration Statement or the Rule 462(b) Registration Statement means the date and time as of which such Registration Statement was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(b). "Registration Statement" without reference to a time means the Registration Statement as of its Effective Time. "Statutory Prospectus" as of any time means the prospectus included in the Registration Statement immediately prior to that time, including any information in a prospectus deemed to be a part thereof pursuant to Rule 430A or 430C and all of the documents incorporated by reference therein. For purposes of the preceding sentence, information contained in a form of prospectus that is deemed retroactively to be a part of the Registration Statement pursuant to Rule 430A shall be considered to be included in the Statutory Prospectus as of the actual time that form of prospectus is filed with the Commission pursuant to Rule 424(b). "Prospectus" means the Statutory Prospectus that discloses the public offering price and other final terms of the Securities and the offering. "Preliminary Prospectus" as of any time means any Statutory Prospectus included in the Registration Statement prior to the time it becomes or became effective under the Securities Act and any prospectus that omits Rule 430A Information. All references in this Agreement to the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement to any of the foregoing, shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"). "Prospectus Delivery Period" means the period beginning on the date hereof and ending on the later of the Second Closing Date or such date that the Prospectus is no longer required by law to be delivered under the Securities Act assuming the absence of Rule 172 under the Securities Act, in connection with sales by an underwriter or dealer.

2. Representations and Warranties.

(a) The Company represents and warrants to, and agrees with, the several Underwriters as follows:

(i) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission and each Preliminary Prospectus, at the time of filing thereof or the time of first use within the meaning of the Rules and Regulations, complied in all material respects with the requirements of the Securities Act and the Rules and Regulations and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to statements in or omissions from any Preliminary Prospectus in reliance upon, and in conformity with, written information furnished to the Company by you, or by any Underwriter through you, specifically for use in the preparation thereof.

(ii) As of the time any part of the Registration Statement (or any post-effective amendment thereto) became effective, upon the filing or first use within the meaning of the

Rules and Regulations of the Prospectus (or any supplement to the Prospectus), at all subsequent times until expiration of the Prospectus Delivery Period and at the First Closing Date and Second Closing Date (as hereinafter defined), (A) the Registration Statement and the Prospectus (in each case, as so amended and/or supplemented) conformed or will conform in all material respects to the requirements of the Securities Act, the Rules and Regulations and the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), (B) the Registration Statement (as so amended) did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (C) the Prospectus (as so supplemented) did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are or were made, not misleading; except that each of the foregoing shall not apply to statements in or omissions from any such document in reliance upon, and in conformity with, written information furnished to the Company by you, or by any Underwriter through you, or by your counsel, specifically for use in the preparation thereof. If the Registration Statement has become effective, no stop order suspending the effectiveness of the Registration Statement has been issued, and, to the Company's knowledge, no proceeding for that purpose has been initiated or threatened by the Commission.

(iii) Neither (A) the Issuer General Free Writing Prospectus(es) issued at or prior to the Time of Sale and set forth on *Schedule II*, the information on *Schedule III*, and the Statutory Prospectus, all considered together (collectively, the "*Time of Sale Disclosure Package*"), nor (B) any individual Issuer Limited-Use Free Writing Prospectus, when considered together with the Time of Sale Disclosure Package, includes or included as of the Time of Sale any untrue statement of a material fact or omits or omitted as of the Time of Sale to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from any Statutory Prospectus or any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by you, or by any Underwriter through you, or by your counsel specifically for use therein. As used in this paragraph and elsewhere in this Agreement:

(1) "*Time of Sale*" means [am/pm (Eastern time)] on the date of this Agreement.

(2) "*Issuer Free Writing Prospectus*" means any "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, relating to the Securities that (A) is required to be filed with the Commission by the Company, or (B) is exempt from filing pursuant to Rule 433(d)(5)(i) under the Securities Act because it contains a description of the Securities or of the offering that does not reflect the final terms or pursuant to Rule 433(d)(8)(ii) because at least one version of a "bona fide electronic road show," as defined in Rule 433 of the Rules and Regulations, which is made available without restriction, in each case in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g) under the Securities Act.

(3) "*Issuer General Free Writing Prospectus*" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being specified in *Schedule II*.

(4) "*Issuer Limited-Use Free Writing Prospectus*" means any Issuer Free Writing Prospectus that is not an Issuer General Free Writing Prospectus.

(iv) (A) Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Securities or until any earlier date that the Company notified or notifies the Representatives as described in Section 4(a)(iii)(B), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, any Statutory Prospectus or the Prospectus. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by you, or by any Underwriter through you, or by your counsel specifically for use therein.

(B) (1) At the time of filing the Registration Statement and (2) at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act, including the Company in the preceding three years not having been convicted of a felony or misdemeanor or having been made the subject of a judicial or administrative decree or order as described in Rule 405 (without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an ineligible issuer), nor an "excluded issuer" as defined in Rule 164 under the Securities Act.

(C) Each Issuer Free Writing Prospectus satisfied, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Securities, all other conditions to use thereof as set forth in Rules 164 and 433 under the Securities Act.

(v) The financial statements of the Company, together with the related notes, set forth or incorporated by reference in the Registration Statement, the Time of Sale Disclosure Package and Prospectus, comply in all material respects with the requirements of the Securities Act and the Exchange Act and fairly present the financial condition of the Company as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with U.S. generally accepted accounting principles consistently applied throughout the periods involved (except as described therein and subject, in the case of unaudited financial statements, to year end adjustments); and the supporting schedules included in the Registration Statement present fairly the information required to be stated therein; all non-GAAP financial information included in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus complies with the requirements of Regulation G and Item 10 of Regulation S-K under the Securities Act; and, except as disclosed in the Time of Sale Disclosure Package and the Prospectus, there are no material off-balance sheet arrangements (as defined in Regulation S-K under the Securities Act, Item 303(a)(4)(ii)). No other financial statements or schedules are required to be included in the Registration Statement, the Time of Sale Disclosure Package or the Prospectus. To the Company's knowledge, Eide Bailly LLP, which has expressed its opinion with respect to the financial statements and schedules filed as a part of the Registration Statement and included in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus, is (x) an independent public accounting firm within the meaning of the Securities Act and the Rules and Regulations, (y) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*")) and (z) in performing its work for the Company, not in violation of the auditor independence requirements of the Sarbanes-Oxley Act.

(vi) Each of the Company and its subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation. Each of the Company and its subsidiaries has full corporate or limited liability company, as applicable, power and authority to own its properties and conduct its business as currently being carried on and as described in the Registration Statement, the Time of Sale Disclosure

Package and Prospectus, and is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which it owns or leases real property or in which the conduct of its business makes such qualification necessary and in which the failure to so qualify would have a material adverse effect upon, or material adverse change in, the general affairs, business, prospects, management, properties, operations, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole ("*Material Adverse Effect*" or "*Material Adverse Change*").

(vii) Except as contemplated in the Time of Sale Disclosure Package and in the Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Disclosure Package, neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations other than in the ordinary course of business, direct or contingent, or entered into any material transactions other than in the ordinary course of business, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock; and there has not been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants or grants of stock-based awards under the Company's 2005 Equity Incentive Plan), or any material change in the short-term or long-term debt, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock, of the Company or its subsidiaries (other than grants of stock options and other stock-based awards under the Company's 2005 Equity Incentive Plan), or any Material Adverse Change or any development that would reasonably be expected to result in a Material Adverse Change.

(viii) Except as set forth in the Time of Sale Disclosure Package and in the Prospectus, there is not pending or, to the knowledge of the Company, threatened or contemplated, any action, suit or proceeding to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company is the subject before or by any court or governmental agency, authority or body, or any arbitrator, which, individually or in the aggregate, would reasonably be expected to result in any Material Adverse Change.

(ix) There are no statutes, regulations, contracts or documents that are required to be described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus or to be filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations that have not been so described or filed.

(x) This Agreement has been duly authorized, executed and delivered by the Company, and constitutes a valid, legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity (each an "*Enforcement Limitation*"). The execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any agreement or instrument to which the Company is a party or by which it is bound or to which any of its property is subject, the Company's charter or by-laws, or any order, rule, regulation or decree of any court or governmental agency or body having jurisdiction over the Company or any of its properties, except for such breaches, violations or defaults as would not, individually or in the aggregate, result in a Material Adverse Change. No consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance of this Agreement or for the consummation of the transactions contemplated hereby, including the issuance or sale of the Securities by the Company, except such as may be required under

the Securities Act or state securities or blue sky laws; and the Company has full power and authority to enter into this Agreement and to authorize, issue and sell the Securities as contemplated by this Agreement.

(xi) All of the issued and outstanding shares of capital stock of the Company, including the outstanding shares of Common Stock, are duly authorized and validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities that have not been waived in writing (a copy of which has been delivered to counsel to the Representatives), and the holders thereof are not subject to personal liability by reason of being such holders; the Securities which may be sold hereunder by the Company have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will have been validly issued and will be fully paid and nonassessable, and the holders thereof will not be subject to personal liability by reason of being such holders; and the capital stock of the Company, including the Common Stock, conforms to the description thereof in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus. Except as otherwise stated in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of, any shares of Common Stock pursuant to the Company's charter, by-laws or any agreement or other instrument to which the Company is a party or by which the Company is bound. Neither the filing of the Registration Statement nor the offering or sale of the Securities as contemplated by this Agreement gives rise to any rights for or relating to the registration of any shares of Common Stock or other securities of the Company which have not been waived in writing or complied with prior to effectiveness of the Registration Statement. All of the issued and outstanding shares of capital stock or other securities of each of the Company's subsidiaries have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus and except for any directors' qualifying shares, the Company owns of record and beneficially, free and clear of any security interests, claims, liens, proxies, equities or other encumbrances, all of the issued and outstanding shares of such stock or other securities. Except as described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, there are no options, warrants, agreements, contracts or other rights in existence to purchase or acquire from the Company or any subsidiary of the Company any shares of the capital stock or other securities of the Company or any subsidiary of the Company. The Company has an authorized and outstanding capitalization as set forth in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus.

(xii) The Company and each of its subsidiaries holds, and is operating in compliance in all material respects with, all material franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders of any governmental or self-regulatory body required for the conduct of its business and all such franchises, grants, authorizations, licenses, permits, easements, consents, certifications and orders are valid and in full force and effect; and neither the Company nor any of its subsidiaries has received notice of any revocation or modification of any such franchise, grant, authorization, license, permit, easement, consent, certification or order or has reason to believe that any such franchise, grant, authorization, license, permit, easement, consent, certification or order will not be renewed in the ordinary course; and the Company and each of its subsidiaries is in compliance in all material respects with all applicable federal, state, local and foreign laws, regulations, orders and decrees.

(xiii) The Company and each of its subsidiaries has good and marketable title to all property (whether real or personal) described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus as being owned by them, in each case free and clear of all material liens, claims, security interests, other encumbrances or defects except such as are described in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus. The property held under lease by the Company and its subsidiaries is held by them under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company or its subsidiaries.

(xiv) The Company and each of its subsidiaries owns, possesses, licenses or can acquire or license on reasonable terms, all Intellectual Property necessary for the conduct of the Company's and its subsidiaries' business as now conducted or to be conducted, to the extent disclosed in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus to be conducted, except as such failure to own, possess, or acquire such rights would not reasonably be expected to result in a Material Adverse Effect. Furthermore, (A) to the knowledge of the Company, there is no infringement, misappropriation or violation by third parties of any such Intellectual Property, except as such infringement, misappropriation or violation would not reasonably be expected to result in a Material Adverse Effect; (B) there is no pending or, to the knowledge of the Company, threatened, action, suit, proceeding or claim by others challenging the Company's or any of its subsidiaries' rights in or to any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (C) the Intellectual Property owned by the Company and its subsidiaries, and to the knowledge of the Company, the Intellectual Property licensed to the Company and its subsidiaries, has not been adjudged invalid or unenforceable, in whole or in part, and there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others challenging the validity or scope of any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; (D) there is no pending or, to the knowledge of the Company, threatened action, suit, proceeding or claim by others that the Company or any of its subsidiaries infringes, misappropriates or otherwise violates any Intellectual Property or other proprietary rights of others, neither the Company nor any of its subsidiaries has received any written notice of such claim and the Company is unaware of any other fact which would form a reasonable basis for any such claim; and (E) to the Company's knowledge, no employee of the Company or any of its subsidiaries is in or has ever been in violation of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company or any of its subsidiaries or actions undertaken by the employee while employed with the Company or any of its subsidiaries, except as such violation would not reasonably be expected to result in a Material Adverse Effect. "*Intellectual Property*" shall mean all patents, patent applications, trade and service marks, trade and service mark registrations, trade names, copyrights, licenses, inventions, trade secrets, domain names, technology, know-how and other intellectual property.

(xv) Neither the Company nor any of its subsidiaries is in violation of its respective charter, by-laws or other governing documents or in breach of or otherwise in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default in the performance of any material obligation, agreement or condition contained in any bond, debenture, note, indenture, loan agreement or any other material contract, lease or other instrument to which it is subject or by which any of them may be bound, or to which any of

the material property or assets of the Company or any of its subsidiaries is subject, except as would not, individually or in the aggregate, have a Material Adverse Effect.

(xvi) The Company and its subsidiaries have timely filed all federal, state, local and foreign income and franchise tax returns required to be filed (except where the failure to do so would not be material) and are not in default in the payment of any material taxes that were payable pursuant to said returns or any assessments with respect thereto, other than any which the Company or any of its subsidiaries is contesting in good faith. There is no pending dispute with any taxing authority relating to any of such returns, and the Company has no knowledge of any proposed liability for any tax to be imposed upon the properties or assets of the Company for which there is not an adequate reserve reflected in the Company's financial statements included in the Registration Statement.

(xvii) The Company has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus, the Time of Sale Disclosure Package or the Prospectus or other materials permitted by the Securities Act to be distributed by the Company; provided, however, that, except as set forth on *Schedule II*, the Company has not made and will not make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act, except in accordance with the provisions of Section 4(a)(xvi) of this Agreement.

(xviii) The Common Stock is registered pursuant to Section 12(b) of the Exchange Act and is included or approved for inclusion on The Nasdaq Global Market and neither the Company nor any of its subsidiaries has taken any action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from The Nasdaq Global Market nor has the Company received any notification that the Commission or NASDAQ is contemplating terminating such registration or listing. The Company has complied in all material respects with the applicable requirements of The Nasdaq Global Market for maintenance of inclusion of the Common Stock thereon. The Securities have been approved for listing on The Nasdaq Global Market.

(xix) Other than the subsidiaries of the Company listed on Exhibit 21 to the Registration Statement and except for marketable securities held for investment purposes in amounts less than 5% of the outstanding equity of the issuer, the Company, directly or indirectly, owns no capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust or other entity.

(xx) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus, the Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting, and since the end of the latest audited fiscal year, there has been no change in the Company's internal control over financial reporting (whether or not remediated) that has materially adversely affected, or is reasonably likely to materially adversely affect, the Company's internal control over financial reporting; provided, however, that none of the foregoing shall constitute a representation as to the Company's compliance

with Section 404 of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder.

(xxi) Other than as contemplated by this Agreement or as disclosed in the Registration Statement, the Company has not incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xxii) The Company and each of its subsidiaries carries, or is covered by, insurance in such amounts and covering such risks as the Company reasonably believes is adequate for the conduct of their businesses and the value of their properties and as is customary for companies engaged in similar businesses in similar industries; all policies of insurance and any fidelity or surety bonds insuring the Company or any of its subsidiaries or its business, assets, employees, officers and directors are in full force and effect; the Company and its subsidiaries are in compliance with the terms of such policies and instruments in all material respects; there are no material claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause; neither the Company nor any of its subsidiaries has been denied any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(xxiii) The Company is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

(xxiv) The Company is in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder.

(xxv) The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Exchange Act) and such controls and procedures are effective in ensuring that material information relating to the Company, including its subsidiaries, is made known to the principal executive officer and the principal financial officer. The Company has utilized such controls and procedures in preparing and evaluating the disclosures in the Registration Statement, in the Time of Sale Disclosure Package and in the Prospectus.

(xxvi) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is aware of or has taken any action directly or indirectly, that would result in a material violation by such persons of the FCPA (as defined below), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company and its subsidiaries have conducted their businesses in compliance in all material respects with the FCPA and have instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance in all material respects therewith. "FCPA" means the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

(xxvii) The operations of the Company and its subsidiaries have complied in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "*Money Laundering Laws*") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(xxviii) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer or employee of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury.

(xxix) To the Company's knowledge, no transaction has occurred between or among the Company and its subsidiaries, on the one hand, and any "related person" of the Company, on the other hand, that is required to be disclosed pursuant to Item 404 of Regulation S-K of the Rules and Regulations that is not so described in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus. The Company has not, directly or indirectly, extended or maintained credit, or arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any of its directors or executive officers in violation of applicable laws, including Section 402 of the Sarbanes-Oxley Act.

(xxx) The Company and each of its subsidiaries (A) is in compliance with any and all applicable federal, state, local and foreign laws, rules, regulations, decisions and orders relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "*Environmental Laws*"); (B) has received and is in compliance with all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its business; and (C) has not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in any such case for any such failure to comply, or failure to receive required permits, licenses or approvals, or liability as would not, individually or in the aggregate, result in a Material Adverse Effect.

(xxxi) The Company and each of its subsidiaries (A) is in compliance, in all material respects, with any and all applicable foreign, federal, state and local laws, rules, regulations, treaties, statutes and codes promulgated by any and all governmental authorities (including pursuant to the Occupational Health and Safety Act) relating to the protection of human health and safety in the workplace ("*Occupational Laws*"); (B) has received all material permits, licenses or other approvals required of it under applicable Occupational Laws to conduct its business as currently conducted; and (C) is in compliance, in all material respects, with all terms and conditions of such permit, license or approval. No action, proceeding, revocation proceeding, writ, injunction or claim is pending or, to the Company's knowledge, threatened against the Company or any of its subsidiaries relating to Occupational Laws, and the Company does not have knowledge of any facts, circumstances or developments relating to its operations or cost accounting practices that could reasonably be expected to form the basis for or give rise to such actions, suits, investigations or proceedings and that would reasonably be expected to result in a Material Adverse Effect.

(xxxii) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), that is maintained, administered or contributed to by the Company or any of its affiliates for employees or

former employees of the Company and its affiliates has been maintained in material compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to, ERISA and the Internal Revenue Code of 1986, as amended (the "*Code*"). No material prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any such plan, excluding transactions effected pursuant to a statutory or administrative exemption; and for each such plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, no "accumulated funding deficiency," as defined in Section 412 of the Code, has been incurred, whether or not waived, and the fair market value of the assets of each such plan (excluding for these purposes accrued but unpaid contributions) exceeds the present value of all benefits accrued under such plan determined using reasonable actuarial assumptions.

(xxxiii) The Company has duly filed on a timely basis with the Commission all reports, registration statements and other documents required by the Securities Act, the Exchange Act, or the rules and regulations of the Commission promulgated pursuant to the Securities Act or the Exchange Act. All of such reports, registration statements and other documents, when they were filed with the Commission, conformed in all material respects to the requirements of the Securities Act, the Exchange Act or the rules and regulations of the Commission promulgated pursuant to the Securities Act or the Exchange Act, as appropriate. None of such reports, registration statements or other documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(xxxiv) The documents incorporated by reference in the Time of Sale Disclosure Package and in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and were filed on a timely basis with the Commission and none of such documents contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; any further documents so filed and incorporated by reference in the Time of Sale Disclosure Package or in the Prospectus, when such documents are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act, and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of Selling Stockholders, severally and not jointly, represents and warrants to, and agrees with, the several Underwriters as follows:

(i) Such Selling Stockholder is the record and beneficial owner of and has valid and marketable title to the Securities to be sold by such Selling Stockholder, free and clear of all security interests, claims, liens, restrictions on transferability, legends, proxies, equities or other encumbrances, other than the Custody Agreement (as defined below). Upon delivery of and payment for the Securities to be sold by such Selling Stockholder hereunder, the several Underwriters will acquire valid and marketable title thereto, free and clear of any security interests, claims, liens, restrictions on transferability, proxies, equities or other encumbrances. Such Selling Stockholder is selling the Securities to be sold by such Selling Stockholder for such Selling Stockholder's own account and is not selling such Securities, directly or indirectly, for the benefit of the Company, and no part of the proceeds of such sale received by such Selling Stockholder will inure, either directly or indirectly, to the benefit of the Company other than as described in the Registration Statement and Prospectus.

(ii) Such Selling Stockholder has the power and authority to enter into this Agreement and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder.

(iii) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and constitutes a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by any Enforcement Limitation. The execution and delivery of this Agreement and the performance of the terms hereof and the consummation of the transactions herein contemplated will not result in a (A) breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound, unless such conflict, breach, violation or default would not adversely affect such Selling Stockholder's ability to perform any of his or its obligations under this Agreement or any of the transactions contemplated hereby; or (B) violation of any law, regulation, order or decree applicable to such Selling Stockholder. No consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance by such Selling Stockholder of this Agreement or for the consummation of the transactions contemplated hereby, including the sale of the Securities being sold by such Selling Stockholder, except such as may be required under the Securities Act or state securities laws or blue sky laws.

(iv) Such Selling Stockholder has duly authorized, executed and delivered to David J. Meyer and Peter Christianson, as attorneys-in-fact (the "*Attorneys-in-Fact*"), an irrevocable power of attorney (a "*Power of Attorney*"), authorizing and directing the Attorneys-in-Fact, or either of them, to effect the sale and delivery of the Securities being sold by such Selling Stockholder and to take all such other action as may be necessary hereunder. The Power of Attorney has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and constitutes a valid and binding obligation of such Selling Stockholder enforceable in accordance with its terms, except to the extent enforceability may be limited by any Enforcement Limitation.

(v) Such Selling Stockholder has duly authorized, executed and delivered a Letter of Transmittal and Custody Agreement ("*Custody Agreement*") to Wells Fargo Shareholder Services, as Custodian (the "*Custodian*"). Pursuant to the Custody Agreement, such Selling Stockholder has in custody with the Custodian, for delivery under this Agreement, the certificates representing the Securities to be sold by such Selling Stockholder; such certificates represent fully paid and nonassessable shares of Common Stock, and such certificates were duly and properly endorsed in blank for transfer, or were accompanied by all documents duly and properly executed that are necessary to validate the transfer of title thereto, to the Underwriters, free of any legend, restriction on transferability, proxy, lien or claim, whatsoever. The Custody Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and constitutes a valid and binding obligation of such Selling Stockholder enforceable in accordance with its terms, except to the extent enforceability may be limited by any Enforcement Limitation.

(vi) The execution and delivery of the Power of Attorney and the Custody Agreement, and the performance of the terms thereof and the consummation of the transactions therein contemplated will not result in a (A) breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound, unless such conflict, breach, violation or default would not adversely affect such Selling Stockholder's ability to perform any of his or its obligations under the Custody Agreement and the Power of Attorney or any of the transactions contemplated hereby and thereby; or (B) violation of any law, regulation, order or

decree applicable to such Selling Stockholder. No consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance by such Selling Stockholder thereof or for the consummation of the transactions contemplated hereby or thereby, including the sale of the Securities being sold by such Selling Stockholder, except such as may be required under the Securities Act or state securities laws or blue sky laws.

(vii) Such Selling Stockholder does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement, except as described or incorporated by reference in the Registration Statement.

(viii) Such Selling Stockholder has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus, the Time of Sale Disclosure Package or the Prospectus or other materials permitted by the Securities Act to be distributed by such Selling Stockholder; provided, however, that no Selling Stockholder has made nor will make any offer relating to the Securities that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act except a Permitted Free Writing Prospectus authorized by the Company and the Underwriters for distribution in accordance with the provisions of Section 4(a)(xvi).

(ix) Such Selling Stockholder has reviewed the Registration Statement, the Time of Sale Disclosure Package and the Prospectus and neither the Registration Statement, the Time of Sale Disclosure Package nor the Prospectus contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading regarding such Selling Stockholder, and, to the knowledge of such Selling Stockholder, the Company or otherwise.

(x) To the knowledge of such Selling Stockholder, the representations and warranties of the Company contained in Section 2(a) are true and correct.

(c) Any certificate signed by any officer of the Company and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby. Any certificate signed by or on behalf of a Selling Stockholder as such and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by such Selling Stockholder to each Underwriter as to the matters covered thereby.

3. *Purchase, Sale and Delivery of Securities.*

(a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell Firm Shares, and each Selling Stockholder, severally and not jointly, agrees to sell the number of Firm Shares set forth opposite such Selling Stockholder's name on *Schedule I-B*, to the several Underwriters, and each Underwriter agrees, severally and not jointly, to purchase from the Company and the Selling Stockholder the number of Firm Shares set forth opposite the name of such Underwriter in *Schedule I-A*. The purchase price for each Firm Share shall be \$ _____ per share. The obligation of each Underwriter to each of the Company and the Selling Stockholders shall be to purchase from each of the Company and the Selling Stockholders that number of Firm Shares (to be adjusted by the Representatives to avoid fractional shares) that represents the same proportion of the number of Firm Shares to be sold by each of the Company and the Selling Stockholders pursuant to this Agreement as the number of Firm Shares set forth opposite the name of such Underwriter in *Schedule I-A* represents to the total number of Firm Shares to be

purchased by all Underwriters pursuant to this Agreement. In making this Agreement, each Underwriter is contracting severally and not jointly; except as provided in paragraph (c) of this Section 3 and in Section 8, the agreement of each Underwriter is to purchase only the respective number of Firm Shares specified in *Schedule I-A*.

The Firm Shares will be delivered by the Company and the Custodian to you for the accounts of the several Underwriters against payment of the purchase price therefor by wire transfer of same day funds payable to the order of the Company and the Custodian, as appropriate, at the offices of Craig-Hallum Capital Group LLC, 222 South Ninth Street, Suite 350, Minneapolis, Minnesota, or such other location as may be mutually acceptable, at 9:00 a.m. Central time on the third (or if the Securities are priced, as contemplated by Rule 15c6-1(c) under the Exchange Act, after 4:30 p.m. Eastern time, the fourth) full business day following the date hereof, or at such other time and date as you and the Company determine pursuant to Rule 15c6-1(a) under the Exchange Act, such time and date of delivery being herein referred to as the "*First Closing Date*." If the Representatives so elect, delivery of the Firm Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by the Representatives. Certificates representing the Firm Shares, in definitive form and in such denominations and registered in such names as you may request upon at least two business days' prior notice to the Company and the Custodian, will be made available for checking and packaging not later than 10:30 a.m., Central time, on the business day next preceding the First Closing Date at the offices of Craig-Hallum Capital Group LLC, Minneapolis, Minnesota, or such other location as may be mutually acceptable.

(b) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company hereby grants to the several Underwriters an option to purchase all or any portion of the Option Shares at the same purchase price as the Firm Shares, for use solely in covering any over-allotments made by the Underwriters in the sale and distribution of the Firm Shares. The option granted hereunder may be exercised in whole or in part at any time (but not more than once) within 30 days after the effective date of this Agreement upon notice (confirmed in writing) by the Representatives to the Company setting forth the aggregate number of Option Shares as to which the several Underwriters are exercising the option, the names and denominations in which the certificates for the Option Shares are to be registered and the date and time, as determined by you, when the Option Shares are to be delivered, such time and date being herein referred to as the "*Second Closing*" and "*Second Closing Date*," respectively; provided, however, that the Second Closing Date shall not be earlier than the First Closing Date nor earlier than the second business day after the date on which the option shall have been exercised. The number of Option Shares to be purchased by each Underwriter shall be the same percentage of the total number of Option Shares to be purchased by the several Underwriters as the number of Firm Shares to be purchased by such Underwriter is of the total number of Firm Shares to be purchased by the several Underwriters, as adjusted by the Representatives in such manner as the Representatives deem advisable to avoid fractional shares. No Option Shares shall be sold and delivered unless the Firm Shares previously have been, or simultaneously are, sold and delivered.

The Option Shares will be delivered by the Company to you for the accounts of the several Underwriters against payment of the purchase price therefor by wire transfer of same day funds payable to the order of the Company at the offices of Craig-Hallum Capital Group LLC, 222 South Ninth Street, Suite 350, Minneapolis, Minnesota, or such other location as may be mutually acceptable at 9:00 a.m., Central time, on the Second Closing Date. If the Representatives so elect, delivery of the Option Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by the Representatives. Certificates representing the Option Shares in definitive form and in such denominations and registered in such names as you

have set forth in your notice of option exercise, will be made available for checking and packaging not later than 10:30 a.m., Central time, on the business day next preceding the Second Closing Date at the office of Craig-Hallum Capital Group LLC, 222 South Ninth Street, Suite 350, Minneapolis, Minnesota, or such other location as may be mutually acceptable.

(c) It is understood that you, individually and not as Representatives of the several Underwriters, may (but shall not be obligated to) make payment to the Company or the Selling Stockholders on behalf of any Underwriter for the Securities to be purchased by such Underwriter. Any such payment by you shall not relieve any such Underwriter of any of its obligations hereunder. Nothing herein contained shall constitute any of the Underwriters an unincorporated association or partner with the Company or any Selling Stockholders.

4. *Covenants.*

(a) The Company covenants and agrees with the several Underwriters as follows:

(i) If the Original Registration Statement has not already been declared effective by the Commission, the Company will use its best efforts to cause the Original Registration Statement and any post-effective amendments thereto to become effective as promptly as possible; the Company will notify you promptly of the time when the Original Registration Statement or any post-effective amendment to the Original Registration Statement has become effective or any supplement to the Prospectus has been filed and of any request by the Commission for any amendment or supplement to the Original Registration Statement or Prospectus or additional information; if the Company has elected to rely on Rule 430A of the Rules and Regulations, the Company will prepare and file a Prospectus containing the information omitted therefrom pursuant to Rule 430A of the Rules and Regulations with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rules 424(b) and 430A of the Rules and Regulations; if the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Securities Act and the Rule 462(b) Registration Statement has not yet been filed and become effective, the Company will prepare and file the Rule 462 Registration Statement with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rule 462(b) and the Securities Act; the Company will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or Prospectus that, in your opinion, may be necessary or advisable in connection with the distribution of the Securities by the Underwriters; and the Company will not file any amendment or supplement to the Registration Statement or Prospectus to which you shall reasonably object by notice to the Company after having been furnished a copy a reasonable time prior to the filing, unless legal counsel to the Company advises the Company that such amendment is required by applicable law or regulation.

(ii) The Company will advise you, promptly after it shall receive notice or obtain knowledge thereof, of (A) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment thereto or preventing or suspending the use of any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus; (B) the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceeding for any such purpose; or (C) any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. The Company will promptly use its best efforts to prevent the issuance of any stop order or to obtain its

withdrawal if such a stop order should be issued. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b) and 430A, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b), Rule 433 or Rule 462 were received in a timely manner by the Commission.

(iii) (A) Within the time during which a prospectus (assuming the absence of Rule 172) relating to the Securities is required to be delivered under the Securities Act, the Company will comply as far as it is able with all requirements imposed upon it by the Securities Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Securities as contemplated by the provisions hereof, the Time of Sale Disclosure Package and the Prospectus. If during such period any event occurs as a result of which the Prospectus (or if the Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend the Registration Statement or supplement the Prospectus (or if the Prospectus is not yet available to prospective investors, the Time of Sale Disclosure Package) to comply with the Securities Act, the Company will promptly notify you and will amend the Registration Statement or supplement the Prospectus (or, if the Prospectus is not yet available to prospective purchasers, the Time of Sale Disclosure Package) (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(B) If at any time following issuance of an Issuer Free Writing Prospectus there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information contained in the Registration Statement, any Statutory Prospectus or the Prospectus relating to the Securities or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company has promptly notified or promptly will notify the Representatives and has promptly amended or will promptly amend or supplement, at its own expense, such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(iv) The Company shall take or cause to be taken all necessary action to qualify the Securities for sale under the securities laws of such jurisdictions as you reasonably designate and to continue such qualifications in effect so long as required for the distribution of the Securities, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process in any state.

(v) The Company will furnish to the Underwriters and counsel for the Underwriters copies of the Registration Statement (one of which will be signed and will include all consents and exhibits filed therewith), each Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, any Issuer Free Writing Prospectus and all amendments and supplements to such documents, in each case as soon as available and in such quantities as you may from time to time reasonably request.

(vi) The Company will make generally available to its security holders as soon as practicable an earnings statement (which need not be audited) covering a 12-month period beginning after the effective date of the Original Registration Statement (or if later the Rule 462(b) Registration Statement) that shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules and Regulations.

(vii) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is prevented from becoming effective under the provisions of Section 9(a) or is terminated, will pay or cause to be paid (A) all expenses (including transfer taxes allocated to the respective transferees) incurred in connection with the delivery to the Underwriters of the Securities, (B) all expenses and fees (including, without limitation, fees and expenses of the Company's accountants and counsel and one counsel for the Selling Stockholders collectively, but, except as otherwise provided below, not including fees of the Underwriters' counsel) in connection with the preparation, printing, filing, delivery, and shipping of the Registration Statement (including the financial statements therein and all amendments, schedules, and exhibits thereto), the Securities, each Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, any Issuer Free Writing Prospectus and any amendment thereof or supplement thereto, and the printing, delivery, and shipping of this Agreement and other underwriting documents, including Blue Sky Memoranda (covering the states and other applicable jurisdictions), (C) all filing fees and reasonable fees and disbursements of the Underwriters' counsel incurred in connection with the qualification of the Securities for offering and sale by the Underwriters or by dealers under the securities or blue sky laws of the states and other jurisdictions which you shall designate, (D) the fees and expenses of any transfer agent or registrar, (E) the filing fees and reasonable fees and disbursements of the Underwriters' counsel incident to any required review and approval by the Financial Industry Regulatory Authority, Inc. ("FINRA") of the terms of the sale of the Securities, (F) listing fees, if any, (G) the costs for Company personnel relating to investor presentations on any "roadshow" undertaken in connection with the marketing of the Securities, and (H) all other costs and expenses incident to the performance of its obligations hereunder that are not otherwise specifically provided for herein. If the sale of the Securities provided for herein is not consummated by reason of action by the Company pursuant to Section 9(a) hereof which prevents this Agreement from becoming effective, if this Agreement is terminated by the Representatives pursuant to Section 9 or if the sale of the Securities provided for herein is not consummated (i) by reason of any failure, refusal or inability on the part of the Company or the Selling Stockholders to perform any agreement on its or their part to be performed, or (ii) because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company or the Selling Stockholders is not fulfilled, the Company will reimburse the several Underwriters for all reasonable out-of-pocket disbursements (including but not limited to reasonable fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Securities or in contemplation of performing their obligations hereunder. The Company shall not in any event be liable to any of the Underwriters for loss of anticipated profits from the transactions covered by this Agreement.

(viii) The Company will apply the net proceeds from the sale of the Securities to be sold by it hereunder for the purposes set forth in the Time of Sale Disclosure Package and in the Prospectus and will file such reports with the Commission with respect to the sale of the Securities and the application of the proceeds therefrom as may be required in accordance with Rule 463 of the Rules and Regulations.

(ix) The Company will not, without the prior written consent of the Representatives, from the date of execution of this Agreement and continuing to and including the date 90 days after the initial date of the Prospectus (the "*Lock-Up Period*") offer for sale, sell, contract to sell, pledge, grant any option for the sale of, enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate, or otherwise issue or dispose of, directly or indirectly (or publicly

disclose the intention to make any such offer, sale, pledge, grant, issuance or other disposition), any Common Stock or any securities convertible into or exchangeable for, or any options or rights to purchase or acquire, Common Stock, except (i) to the Underwriters pursuant to this Agreement, (ii) pursuant to the Company's 2005 Equity Incentive Plan; and (iii) upon exercise or conversion of securities outstanding on the date hereof. Except in connection with the occurrence of any "transaction," as defined in the 2005 Equity Incentive Plan, or pursuant to agreements in effect on the date hereof, the Company agrees not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period. If (1) during the period that begins on the date that is 18 calendar days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, (a) the Company issues an earnings release, (b) the Company publicly announces material news or (c) a material event relating to the Company occurs; or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions in this Agreement, unless otherwise waived by the Representatives in writing, shall continue to apply until the expiration of the date that is 18 calendar days after the date on which (a) the Company issues the earnings release, (b) the Company publicly announces material news or (c) a material event relating to the Company occurs. The Company will provide the Representatives, any co-managers and each stockholder subject to the Lock-Up Agreement (as defined below) with prior notice of any such announcement that gives rise to the extension of the Lock-Up Period.

(x) The Company has caused to be delivered to you prior to the date of this Agreement a letter from (A) each of the Company's directors and officers, (B) each entity that is controlled by (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) any of the Company's directors or officers, and (C) Cherry Tree Securities, LLC in the form provided by the Underwriters, stating that such person agrees that such person will not, without your prior written consent, offer for sale, sell, contract to sell or otherwise dispose of, as set forth in such letter, any shares of Common Stock or rights to purchase Common Stock, except to the Underwriters pursuant to this Agreement, for a period of 90 days after commencement of the public offering of the Securities by the Underwriters plus such additional extensions set forth in the form of letter (the "*Lock-Up Agreement*"). The Company will enforce the terms of each Lock-Up Agreement and issue stop-transfer instructions to the transfer agent for the Common Stock with respect to any transaction or contemplated transaction that would constitute a breach of or default under the applicable Lock-Up Agreement.

(xi) The Company has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in, or which has constituted, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities, and has not effected any sales of Common Stock that are required to be disclosed in response to Item 701 of Regulation S-K under the Securities Act which have not been so disclosed in the Registration Statement.

(xii) Except as disclosed in the Registration Statement, the Company will not incur any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xiii) For a period of one year from the date hereof, the Company will file with the Commission such periodic and special reports as required by the Rules and Regulations.

(xiv) For a period of one year from the date hereof, the Company and its subsidiaries will maintain such controls and other procedures, including without limitation those required by

Sections 302 and 906 of the Sarbanes-Oxley Act and the applicable regulations thereunder, that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, to ensure that material information relating to Company, including its subsidiaries, is made known to them by others within those entities.

(xv) For a period of one year from the date hereof, the Company and its subsidiaries will comply with all effective applicable provisions of the Sarbanes-Oxley Act.

(xvi) The Company represents and agrees that, unless it obtains the prior written consent of the Representatives, and each Underwriter severally represents and agrees that, unless it obtains the prior written consent of the Company and the Representatives, it has not made and will not make any offer relating to the Securities that would constitute an "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 under the Securities Act, required to be filed with the Commission; provided, that the prior written consent of the parties hereto shall be deemed to have been given in respect of the free writing prospectuses included in *Schedule II*. Any such free writing prospectus consented to by the Company and the Representatives is hereinafter referred to as a "*Permitted Free Writing Prospectus*." The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping. The Company represents that it has satisfied and agrees that it will satisfy the conditions in Rule 433 to avoid a requirement to file with the Commission any electronic road show.

(b) Each of the Selling Stockholders, severally and not jointly, covenants and agrees with the several Underwriters as follows:

(i) Such Selling Stockholder will pay all taxes, if any, on the transfer and sale, respectively, of the Securities being sold by such Selling Stockholder and the fees of such Selling Stockholder's counsel, accountant or other adviser. Such Selling Stockholder agrees to reimburse the Company for any reimbursement required to be made by the Company to the Underwriters pursuant to Section 4(a)(vii) to the extent, but only to the extent, such reimbursement resulted from breach by such Selling Stockholder of its obligations under this Agreement.

(ii) If this Agreement shall be terminated by the Underwriters because of any breach on the part of such Selling Stockholder of its obligations under this Agreement, such Selling Stockholder agrees to reimburse the several Underwriters for all out-of-pocket disbursements (including reasonable fees and disbursements of counsel for the Underwriters) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Securities or in contemplation of performing their obligations hereunder. Such Selling Stockholder shall not, in any event or circumstance, be liable to any of the Underwriters, the Company or any other Selling Stockholder for loss of anticipated profits from the transactions covered by this Agreement.

(iii) The Securities to be sold by such Selling Stockholder, represented by the certificates of such Selling Stockholder deposited with the Custodian pursuant to the Custody Agreement of such Selling Stockholder, are subject to the interest of the several Underwriters hereunder; the arrangements made for such custody under the Custody Agreement are, except as specifically provided in the Custody Agreement, irrevocable; and the obligations of such Selling Stockholder hereunder shall not be terminated, except as provided in this Agreement or in the Custody Agreement, by any act of such Selling Stockholder, by operation of law, whether by the liquidation, dissolution or merger of such Selling Stockholder, by the death of such Selling Stockholder, or by the occurrence of any other event. If any Selling Stockholder should liquidate, dissolve or be a party to a merger or if any other such event should occur before the delivery of the Securities hereunder, certificates for the Securities to be deposited with the Custodian shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such liquidation, dissolution, merger or other event had not occurred, whether or not the Custodian shall have received notice thereof.

(iv) Such Selling Stockholder will not, without the prior written consent of the Representatives, during the Lock-Up Period, offer for sale, sell, contract to sell, pledge, grant any option for the sale of, enter into any transaction which is designed to, or might reasonably be expected to, result in disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) or otherwise dispose of, directly or indirectly (or publicly disclose the intention to make any such offer, sale, pledge, grant, or other disposition), any Common Stock or any securities convertible into or exchangeable for, or any options or rights to purchase or acquire, Common Stock, except to the Underwriters pursuant to this Agreement. In addition, the Selling Stockholder agrees that, without the prior written consent of the Representatives, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for shares of Common Stock. If (1) during the period that begins on the date that is 18 calendar days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, (a) the Company issues an earnings release, (b) the Company publicly announces material news or (c) a material event relating to the Company occurs; or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions in this Agreement, unless otherwise waived by the Representatives in writing, shall continue to apply until the expiration of the date that is 18 calendar days after the date on which (a) the Company issues the earnings release, (b) the Company publicly announces material news or (c) a material event relating to the Company occurs.

Any shares of Common Stock received upon exercise of options granted to a Selling Stockholder will also be subject to this clause (iv). The restrictions on transfers of this clause (iv), however, will not apply to any shares of Common Stock acquired by the Selling Stockholder in the open market. A transfer of shares of Common Stock in connection with a bona fide gift or to a family member or trust may be made, provided the transferee agrees to be bound in writing by the terms of this Agreement. A transfer of shares of Common Stock in connection with a bona fide gift or to a family member or trust may be made, provided the transferee agrees to be bound in writing by the terms of this Agreement. In addition, notwithstanding the foregoing, if a Selling Stockholder is a corporation, business trust, association, limited liability company, partnership, limited liability partnership, limited liability limited partnership or other entity (collectively, the "Entities" or, individually, the "Entity"), such Selling Stockholder may transfer shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock to any Entity which is directly or indirectly controlled by, or is under common control with such Selling Stockholder and, if

such Selling Stockholder is a partnership or limited liability company, such Selling Stockholder may transfer the Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock to its partners, former partners or an affiliated partnership (or members, former members or an affiliated limited liability company) managed by the same manager or managing partner (or managing member, as the case may be) or management company, or managed by an entity controlling, controlled by, or under common control with, such manager or managing partner (or managing member) or management company in accordance with partnership (or membership) interests; provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such shares of Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock subject to the provisions of this Agreement and there shall be no further transfer of such Common Stock or securities convertible into or exchangeable or exercisable for any shares of Common Stock except in accordance with this Agreement, and provided further that any such transfer shall not involve a disposition for value.

(v) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities, and has not effected any sales of Common Stock which, if effected by the Company, would be required to be disclosed in response to Item 701 of Regulation S-K.

(vi) Such Selling Stockholder shall immediately notify you if any event occurs, or of any change in information relating to such Selling Stockholder or the Company or any new information relating to the Company or relating to any matter stated in the Time of Sale Disclosure Package or in the Prospectus or any supplement thereto or any Issuer General Free-Writing Prospectus, which results in the Time of Sale Disclosure Package or in the Prospectus (as amended or supplemented) or any Issuer General Free-Writing Prospectus including an untrue statement of a material fact or omitting to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(vii) Such Selling Stockholder shall deliver to the Custodian or the Representatives, as appropriate, prior to the First Closing Date, a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

5. *Conditions of Underwriters' Obligations.* The obligations of the several Underwriters hereunder are subject to the accuracy, as of the date hereof and at each of the First Closing Date and, with respect to the Company only, the Second Closing Date (as if made at such Closing Date), of and compliance with all representations, warranties and agreements of the Company and the Selling Stockholder contained herein, to the performance by the Company and the Selling Stockholder of their respective obligations hereunder, including the covenants contained herein to be performed on or prior to the First Closing Date, and to the following additional conditions:

(a) The Registration Statement shall have become effective not later than 5:00 p.m., Central time, on the date of this Agreement, or such later time and date as you, as Representatives of the several Underwriters, shall approve and all filings required by Rules 424, 430A and 433 of the Rules and Regulations shall have been timely made (without reliance on Rule 424(b)(8) or Rule 164(b)); no stop order suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof, nor suspending or preventing the use of the Time of Sale Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus shall have been issued; no proceedings for the issuance of such an order shall have been initiated or threatened; and any request of the Commission for additional information (to be included in the Registration

Statement, the Time of Sale Disclosure Package, the Prospectus, any Issuer Free Writing Prospectus or otherwise) shall have been complied with to your satisfaction.

(b) No Underwriter shall have advised the Company that the Registration Statement, the Time of Sale Disclosure Package or the Prospectus, or any amendment thereof or supplement thereto, or any Issuer Free Writing Prospectus contains an untrue statement of fact which, in your reasonable opinion, is material, or omits to state a fact which, in your reasonable opinion, is material and is required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

(c) Except as contemplated in the Time of Sale Disclosure Package and in the Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Disclosure Package, neither the Company nor any of its subsidiaries shall have incurred any material liabilities or obligations, direct or contingent, other than in the ordinary course of business, or entered into any material transactions other than in the ordinary course of business, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock; and there shall not have been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants or grants of stock-based awards under the Company's 2005 Equity Incentive Plan), or any material change in the short-term or long-term debt of the Company, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock of the Company or any of its subsidiaries (other than issuances of options or other stock-based awards under the Company's 2005 Equity Incentive Plan), or any Material Adverse Change or any development involving a prospective Material Adverse Change (whether or not arising in the ordinary course of business), that, in your judgment, makes it impractical or inadvisable to offer or deliver the Securities on the terms and in the manner contemplated in the Time of Sale Disclosure Package and in the Prospectus.

(d) On each Closing Date there shall have been furnished to you, as Representatives of the several Underwriters, the opinions of Fredrikson & Byron, PA and Smith, Strege & Fredericksen, Ltd., counsel for the Company, each dated such Closing Date and addressed to you, with respect to such matters as the parties shall mutually agree.

(e) On the First Closing Date, there shall have been furnished to you, as Representatives of the several Underwriters, the opinion of Fredrikson & Byron, PA, counsel for each of the Selling Stockholders, dated such Closing Date and addressed to you, with respect to such matters as the parties shall mutually agree.

(f) On each Closing Date, there shall have been furnished to you, as Representatives of the several Underwriters, such opinion or opinions from Faegre & Benson LLP, counsel for the several Underwriters, dated such Closing Date and addressed to you, with respect to such matters as you reasonably may request, and such counsel shall have received such papers and information as they request to enable them to pass upon such matters.

(g) On each Closing Date you, as Representatives of the several Underwriters, shall have received a letter of Eide Bailly LLP, dated such Closing Date and addressed to you, confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualifications of accountants under Rule 2-01 of Regulation S-X of the Commission, and stating, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Time of Sale Disclosure Package, as of a date not prior to the date hereof or more than five days prior to the date of such letter), the conclusions and findings of said firm with respect to the financial information and other matters covered by its letter delivered to you concurrently with the execution of this Agreement, and the effect of the

letter so to be delivered on such Closing Date shall be to confirm the conclusions and findings set forth in such prior letter.

(h) On each Closing Date, there shall have been furnished to you, as Representatives of the Underwriters, a certificate, dated such Closing Date and addressed to you, signed by the chief executive officer and by the chief financial officer of the Company, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct, in all material respects, as if made at and as of such Closing Date, and the Company has complied in all material respects with all the agreements and satisfied all the conditions on its part to be performed or satisfied under this Agreement at or prior to such Closing Date;

(ii) No stop order or other order suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof or the qualification of the Securities for offering or sale, nor suspending or preventing the use of the Time of Sale Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus, has been issued, and, to their knowledge, no proceeding for that purpose has been instituted or is contemplated by the Commission or any state or regulatory body; and

(iii) The signers of said certificate have carefully examined the Registration Statement, the Time of Sale Disclosure Package and the Prospectus, and any amendments thereof or supplements thereto, and (A) each part of the Registration Statement and the Prospectus, and any amendments thereof or supplements thereto contain, and contained when such part of the Registration Statement, or any amendment thereof, became effective, all statements and information required to be included therein, the Registration Statement, or any amendment thereof, does not contain and did not contain when such part of the Registration Statement, or any amendment thereof, became effective, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, and the Prospectus, as amended or supplemented, does not include and did not include as of its date or the time of first use within the meaning of the Rules and Regulations, any untrue statement of material fact or omit to state and did not omit to state as of its date or the time of first use within the meaning of the rules and Regulations a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (B) neither (1) the Time of Sale Disclosure Package nor (2) any individual Issuer Limited-Use Free Writing Prospectus, when considered together with the Time of Sale Disclosure Package, include, nor included as of the Time of Sale any untrue statement of a material fact or omits, or omitted as of the Time of Sale, to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (C) since the Time of Sale there has occurred no event required to be set forth in an amended or supplemented prospectus which has not been so set forth, (D) subsequent to the respective dates as of which information is given in the Time of Sale Disclosure Package, neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, other than in the ordinary course of business, or entered into any material transactions, not in the ordinary course of business, or declared or paid any dividends or made any distribution of any kind with respect to their capital stock, and except as disclosed in the Time of Sale Disclosure Package and in the Prospectus, there has not been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants or grants of stock-based awards under the Company's 2005 Equity Incentive Plan), or any material change in the short-term or long-term debt, or any issuance of options, warrants, convertible securities or other rights to purchase the capital

stock, of the Company, or any of its subsidiaries (other than issuances of options and other stock based awards under the Company's 2005 Equity Incentive Plan), or any Material Adverse Change or any development involving a prospective Material Adverse Change (whether or not arising in the ordinary course of business), and (E) except as stated in the Time of Sale Disclosure Package and in the Prospectus, there is not pending, or, to the knowledge of the Company, threatened or contemplated, any action, suit or proceeding to which the Company or any of its subsidiaries is a party before or by any court or governmental agency, authority or body, or any arbitrator, which might result in any Material Adverse Change.

(i) The Company shall have furnished to you and counsel for the Underwriters such additional documents, certificates and evidence as you or they may have reasonably requested.

(j) FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(k) The Nasdaq Global Market shall have approved the Securities for listing, subject only to official notice of issuance.

(l) On or after the Time of Sale (A) no downgrading shall have occurred in the rating accorded any of the Company's securities by any "nationally recognized statistical organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities Act, and (B) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's securities.

(m) On the First Closing Date, there shall have been furnished to you, as Representatives of the several Underwriters, a certificate or certificates, dated such Closing Date and addressed to you, signed by or on behalf of each Selling Stockholder or either of such Selling Stockholder's Attorneys-in-Fact to the effect that the representations and warranties of such Selling Stockholder contained in this Agreement are true and correct in all material respects as if made at and as of such Closing Date, and that such Selling Stockholder has complied in all material respects with all the agreements and satisfied all the conditions on such Selling Stockholder's part to be performed or satisfied at or prior to such Closing Date.

(n) All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to you and counsel for the Underwriters. The Company will furnish you with such conformed copies of such opinions, certificates, letters and other documents as you shall reasonably request.

6. *Indemnification and Contribution.*

(a) The Company agrees to indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Securities Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the 430A Information and any other information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to the Rules and Regulations, if applicable, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Common Stock ("*Marketing Materials*"), including any roadshow or investor presentations made to investors by the Company (whether in person or electronically), or arise out of or are based upon the omission or alleged omission to

state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by it in connection with investigating or defending against such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any such amendment or supplement, any Issuer Free Writing Prospectus or in any Marketing Materials, in reliance upon and in conformity with written information furnished to the Company by you, or by any Underwriter through you, or by your counsel, specifically for use in the preparation thereof; and provided, further, that the foregoing indemnity shall not inure to the benefit of the Underwriters with respect to any untrue statement or omission of a material fact if, (i) prior to the Time of Sale the Company shall have notified the Underwriters through the Representatives in writing in accordance with Section 11 hereof that the Preliminary Prospectus or any other part of the Time of Sale Disclosure Package contains an untrue statement of material fact or omits to state therein a material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they are made, not misleading, (ii) such untrue statement or omission of a material fact was corrected in an amendment or supplement to the Time of Sale Disclosure Package and such amendment or supplement was provided to the Underwriters prior to the Time of Sale, and (iii) the information contained in such corrected Time of Sale Disclosure Package was not conveyed at or prior to the Time of Sale.

In addition to its other obligations under this Section 6(a), the Company agrees that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 6(a), it will reimburse each Underwriter on a monthly basis for all reasonable legal fees or other expenses reasonably incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's obligation to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, the Underwriter that received such payment shall promptly return it to the party or parties that made such payment, together with interest, compounded daily, determined on the basis of the prime rate (or other commercial lending rate for borrowers of the highest credit standing) announced from time to time by Wells Fargo Bank Minnesota, N.A. (the "*Prime Rate*"). Any such interim reimbursement payments that are not made to an Underwriter within 30 days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. This indemnity agreement shall be in addition to any liabilities which the Company may otherwise have.

(b) Each of the Selling Stockholders, severally and not jointly, agrees to indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Securities Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of such Selling Stockholder), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the 430A Information and any other information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to the Rules and Regulations, if applicable, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, or arise out of or are based upon the

omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any such amendment or supplement, any Issuer Free Writing Prospectus or in any Marketing Materials in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein; and will reimburse each Underwriter for any legal or other expenses reasonably incurred by it in connection with investigating or defending against such loss, claim, damage, liability or action; provided, however, that such Selling Stockholder shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any such amendment or supplement, any Issuer Free Writing Prospectus or in any Marketing Materials, in reliance upon and in conformity with written information furnished to the Company by you, or by any Underwriter through you, or by your counsel, specifically for use in the preparation thereof; and further provided, however, that the foregoing indemnity shall not inure to the benefit of the Underwriters with respect to any untrue statement or omission of a material fact if, (i) prior to the Time of Sale the Company or a Selling Stockholder shall have notified the Underwriters through the Representatives in writing in accordance with Section 11 hereof that the Preliminary Prospectus or any other part of the Time of Sale Disclosure Package contains an untrue statement of material fact or omits to state therein a material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they are made, not misleading, (ii) such untrue statement or omission of a material fact was corrected in an amendment or supplement to the Time of Sale Disclosure Package and such amendment or supplement was provided to the Underwriters prior to the Time of Sale, and (iii) the information contained in such corrected Time of Sale Disclosure Package was not conveyed at or prior to the Time of Sale. The indemnity agreement set forth herein is not exclusive of any agreement the Company may have with the Selling Stockholders relating to indemnification, and nothing contained in this Agreement shall affect any obligation or liability the Company may have to one or more of the Selling Stockholders, or one or more of the Selling Stockholders may have to the Company, pursuant to other agreements. Notwithstanding the foregoing, no Selling Stockholder shall be liable hereunder for an amount in excess of the aggregate amount of proceeds such Selling Stockholder received from the sale of the Securities pursuant to this Agreement.

(c) Each Underwriter will indemnify and hold harmless the Company and each Selling Stockholder and their respective affiliates, directors and officers, and each person, if any, who controls the Company and each Selling Stockholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or the Selling Stockholder may become subject, under the Securities Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the 430A Information and any other information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to the Rules and Regulations, if applicable, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus or in any Marketing Materials, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged

untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus, or any such amendment or supplement, or any Issuer Free Writing Prospectus or in any Marketing Materials in reliance upon and in conformity with written information furnished to the Company by you, or by such Underwriter through you, or by your counsel, specifically for use in the preparation thereof, and will reimburse the Company and the Selling Stockholders for any legal or other expenses reasonably incurred by the Company or any such Selling Stockholder in connection with investigating or defending against any such loss, claim, damage, liability or action.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have to any indemnified party except to the extent such indemnifying party has been materially prejudiced by such failure. In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that if the Representatives shall have reasonably concluded that there may be defenses available to the Underwriters that are different from or in addition to those available to the indemnifying parties, the Representatives shall have the right to employ a single counsel to represent the Representatives and all Underwriters who may be subject to liability arising from any claim in respect of which indemnity may be sought by the Underwriters under subsection (a) or (b) of this Section 6, in which event the reasonable fees and expenses of such separate counsel shall be borne by the indemnifying party or parties and reimbursed to the Underwriters as incurred (in accordance with the provisions of the second paragraph in subsection (a) above). An indemnifying party shall not be obligated under any settlement agreement relating to any action under this Section 6 to which it has not agreed in writing. In addition, no indemnifying party shall, without the prior written consent of the indemnified party, which consent shall not be unreasonably conditioned, withheld or delayed, effect any settlement of any pending or threatened proceeding unless such settlement includes an unconditional release of such indemnified party for all liability on claims that are the subject matter of such proceeding.

(e) If the indemnification provided for in this Section 6 is unavailable or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a), (b) or (c) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company or the Selling Stockholders (as the case may be) on the one hand and the Underwriters on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company or the Selling Stockholders (as the case may be) on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company or the Selling Stockholders (as the case may be) on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before

deducting expenses) received by the Company or the Selling Stockholders (as the case may be) bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders (as the case may be) or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the first sentence of this subsection (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) The obligations of the Company and each Selling Stockholder under this Section 6 shall be in addition to any liability which the Company and such Selling Stockholder may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Securities Act; and the obligations of the Underwriters under this Section 6 shall be in addition to any liability that the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company (including any person who, with his consent, is named in the Registration Statement as about to become a director of the Company), to each officer of the Company who has signed the Registration Statement and to each person, if any, who controls the Company or such Selling Stockholder within the meaning of the Securities Act.

(g) The Underwriters severally confirm and the Company and the Selling Stockholders acknowledge that the statements with respect to the public offering of the Securities by the Underwriters set forth in "Underwriting" in the Time of Sale Disclosure Package and in the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus.

(h) The Underwriters acknowledge for all purposes under this Agreement that the statements with respect to Selling Stockholders, solely in their capacity as Selling Stockholders, appearing under the caption "Principal and Selling Stockholders" in the Registration Statement, the Time of Sale Disclosure Package and the Prospectus (consisting of the Selling Stockholder's name, address and number of shares beneficially owned before and after the sale of the Securities hereunder) constitute the only information concerning such Selling Stockholders, solely in their capacity as Selling Stockholders, furnished in writing to the Company by or on behalf of the Selling Stockholders specifically for inclusion in the Registration Statement, any Preliminary Prospectus, the Time of Sale Disclosure Package, the Prospectus or any Issuer Free Writing Prospectus.

7. ***Representations and Agreements to Survive Delivery.*** All representations, warranties, and agreements of the Company and the Selling Stockholders herein or in certificates delivered pursuant hereto, and the agreements of the several Underwriters and the Company and the Selling Stockholders contained in Section 6, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person thereof, or the Company or any of its officers, directors, or controlling persons or the Selling Stockholders or any of their respective controlling persons, and shall survive delivery of, and payment for, the Securities to and by the Underwriters hereunder.

8. ***Substitution of Underwriters.***

(a) If any Underwriter or Underwriters shall fail to take up and pay for the amount of Firm Shares agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Firm Shares in accordance with the terms hereof, and the amount of Firm Shares not purchased does not aggregate more than 10% of the total amount of Firm Shares set forth in *Schedule I-A*, the remaining Underwriters shall be obligated to take up and pay for (in proportion to their respective underwriting obligations hereunder as set forth in *Schedule I-A* except as may otherwise be determined by you) the Firm Shares that the withdrawing or defaulting Underwriters agreed but failed to purchase.

(b) If any Underwriter or Underwriters shall fail to take up and pay for the amount of Firm Shares agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Firm Shares in accordance with the terms hereof, and the amount of Firm Shares not purchased aggregates more than 10% of the total amount of Firm Shares set forth in *Schedule I-A*, and arrangements satisfactory to you for the purchase of such Firm Shares by other persons are not made within 36 hours thereafter, this Agreement shall terminate. In the event of any such termination neither the Company nor the Selling Stockholders shall be under any liability to any Underwriter (except to the extent provided in Section 4(a)(vii), Section 4(b)(i), Section 4(b)(ii) and Section 6) nor shall any Underwriter (other than an Underwriter who shall have failed, otherwise than for some reason permitted under this Agreement, to purchase the amount of Firm Shares agreed by such Underwriter to be purchased hereunder) be under any liability to the Company or the Selling Stockholders (except to the extent provided in Section 6).

If Firm Shares to which a default relates are to be purchased by the non-defaulting Underwriters or by any other party or parties, the Representatives or the Company shall have the right to postpone the First Closing Date for not more than seven business days in order that the necessary changes in the Registration Statement, in the Time of Sale Disclosure Package, in the Prospectus or in any other documents, as well as any other arrangements, may be effected. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 8.

9. ***Effective Date of this Agreement and Termination.***

(a) This Agreement shall become effective upon execution and delivery by each of the parties hereto.

(b) You, as Representatives of the several Underwriters, shall have the right to terminate this Agreement by giving notice as hereinafter specified at any time at or prior to the First Closing Date, and the option referred to in Section 3(b), if exercised, may be cancelled at any time prior to the Second Closing Date, if (i) the Company shall have failed, refused or been unable, at or prior to such Closing Date, to perform any agreement on its part to be performed hereunder, (ii) any other condition of the Underwriters' obligations hereunder is not fulfilled, (iii) trading on the Nasdaq Global Market, New York Stock Exchange or the American Stock Exchange shall have been wholly suspended, (iv) minimum or maximum prices for trading shall have been fixed, or

maximum ranges for prices for securities shall have been required, on the Nasdaq Stock Market, New York Stock Exchange or the American Stock Exchange, by such Exchange or by order of the Commission or any other governmental authority having jurisdiction, (v) a banking moratorium shall have been declared by federal or state authorities, or (vi) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Securities. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(a)(vii), Section 4(b)(i), Section 4(b)(ii) and Section 6 hereof shall at all times be effective.

(c) If you elect to terminate this Agreement as provided in this Section, the Company and an Attorney-in-Fact, on behalf of the Selling Stockholders, shall be notified promptly by you by telephone, confirmed by letter.

10. **Default by One or More of the Selling Stockholders or the Company.** If one or more of the Selling Stockholders shall fail at the First Closing Date to sell and deliver the number of Securities that such Selling Stockholder or Selling Stockholders are obligated to sell hereunder, and either (i) the remaining Selling Stockholders do not exercise the right hereby granted to increase, pro rata or otherwise, the number of Securities to be sold by them hereunder to the total number of Securities to be sold by all Selling Stockholders as set forth in Schedule I-B; or (ii) the Company does not elect to offer additional shares of Common Stock equal to the Securities which are the subject of such failure by such defaulting Selling Stockholder(s), then the Underwriters may at their option, by notice from you to the Company and the non-defaulting Selling Stockholders, either (a) terminate this Agreement without any liability on the part of any non-defaulting party or (b) elect to purchase the Securities which the Company and the non-defaulting Selling Stockholders have agreed to sell hereunder.

In the event of a default by any Selling Stockholder as referred to in this Section, either you or the Company or, by joint action only, the non-defaulting Selling Stockholders, shall have the right to postpone the First Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement, in the Time of Sale Disclosure Package or in the Prospectus or in any other documents or arrangements.

If the Company shall fail at the First Closing Date to sell and deliver the number of Securities which it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any Underwriter, or except as provided in Section 4(a)(vii), Section 4(b)(i) and Section 6, or any non-defaulting party. No action taken pursuant to this Section shall relieve the Company or any Selling Stockholders so defaulting from liability, if any, in respect of such default.

11. **Notices.** Except as otherwise provided herein, all communications hereunder shall be in writing and, if to the Underwriters, shall be mailed or delivered to the Representatives c/o Craig-Hallum Capital Group LLC, 222 South Ninth Street, Suite 350, Minneapolis, Minnesota 55402, with a copy to Faegre and Benson LLP, 2200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402, Attention: W. Morgan Burns, except that notices given to an Underwriter pursuant to Section 6 shall be sent to such Underwriter at the address stated in the Underwriters' Questionnaire furnished by such Underwriter in connection with this offering; if to the Company, shall be mailed or delivered to it at 4876 Rocking Horse Circle, Fargo, North Dakota 58106-6049, Attention: Chief Executive Officer, with a copy to Fredrikson & Byron, P.A., 200 South Sixth Street, Suite 4000, Minneapolis, Minnesota 55402, Attention: Melodie R. Rose; and if to the other Selling Stockholders, at the address of the Attorneys-in-Fact as set forth in the Powers of Attorney; or in each case to such other address as the person to be notified may have requested in writing. Any party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

12. **Persons Entitled to Benefit of Agreement.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns and the controlling persons, officers and directors referred to in Section 6. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

13. **Absence of Fiduciary Relationship.** The Company and each Selling Stockholder acknowledges and agrees that: (a) the Representatives have been retained solely to act as an underwriter in connection with the sale of the Securities and that no fiduciary, advisory or agency relationship between the Company, such Selling Stockholder and the Representatives have been created in respect of any of the transactions contemplated by this Agreement, irrespective of whether the Representatives have advised or are advising the Company or such Selling Stockholder on other matters; (b) the price and other terms of the Securities set forth in this Agreement were established by the Company following discussions and arms-length negotiations with the Representatives and the Company and such Selling Stockholder are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated by this Agreement; (c) they have been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and such Selling Stockholder and that the Representatives have no obligation to disclose such interest and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; (d) they have been advised that the Representatives are acting, in respect of the transactions contemplated by this Agreement, solely for the benefit of the Representatives and the other Underwriters, and not on behalf of the Company or the Selling Stockholder; (e) they waive to the fullest extent permitted by law, any claims they may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty in respect of any of the transactions contemplated by this Agreement and agrees that the Representatives shall have no liability (whether direct or indirect) to the Company or such Selling Stockholder in respect of such a fiduciary duty claim on behalf of or in right of the Company or such Selling Stockholder, including stockholders, employees or creditors of the Company.

14. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15. **Consent to Jurisdiction.** Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("*Related Proceedings*") may be instituted in the federal courts of the United States of America located in the Hennepin or Ramsey County, Minnesota or the courts of the State of Minnesota in each case located in Hennepin or Ramsey County (collectively, the "*Specified Courts*"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "*Related Judgment*"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

16. **Counterparts.** This Agreement may be executed by facsimile signature and in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

17. ***Amendments or Waivers.*** No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure thereof, shall in any event be effective as to any party to this Agreement unless the same shall be in writing and signed by such party.

18. ***Waiver of Trial by Jury.*** The parties hereby waive all right to trial by jury in any action proceeding or counterclaim (whether based upon contract, tort or otherwise) in connection with any dispute arising out of this Agreement or any matters contemplated by this Agreement.

[Signature Page Follows]

Please sign and return to the Company the enclosed duplicates of this letter whereupon this letter will become a binding agreement between the Company, the Selling Stockholders and the several Underwriters in accordance with its terms.

Very truly yours,

TITAN MACHINERY INC.

By

Chief Executive Officer

SELLING STOCKHOLDERS:

David J. Meyer

C.I. FARM POWER, INC.

By

President

Ted Christianson

Confirmed as of the date first above mentioned, on behalf of themselves and the other several Underwriters named in *Schedule I-A* hereto.

CRAIG-HALLUM CAPITAL GROUP LLC

By

Managing Director

ROBERT W. BAIRD & CO. INCORPORATED

By

Managing Director

SCHEDULE I-A
TO PURCHASE AGREEMENT

Underwriters

Underwriter	Number of Firm Shares(1)
Craig-Hallum Capital Group LLC	
Robert W. Baird & Co. Incorporated	
Total	

(1) The Underwriters may purchase up to an additional _____ Option Shares, to the extent the option described in Section 3(b) of the Agreement is exercised, in the proportions and in the manner described in the Agreement.

SCHEDULE I-B
TO PURCHASE AGREEMENT

Selling Stockholders

Name	Number of Firm Shares to be Sold
David J. Meyer	
C.I. Farm Power, Inc.	
Ted Christianson	
Total	

ISSUER GENERAL FREE WRITING PROSPECTUSES

PRICING INFORMATION

QuickLinks

[Exhibit 1.1](#)

[TITAN MACHINERY INC. Common Stock PURCHASE AGREEMENT](#)

[SCHEDULE I-A TO PURCHASE AGREEMENT](#)

[Underwriters](#)

[SCHEDULE I-B TO PURCHASE AGREEMENT](#)

[Selling Stockholders](#)

[SCHEDULE II TO PURCHASE AGREEMENT](#)

[ISSUER GENERAL FREE WRITING PROSPECTUSES](#)

[SCHEDULE III TO PURCHASE AGREEMENT](#)

[PRICING INFORMATION](#)

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Amendment No. 1 to Registration Statement on Form S-1 of Titan Machinery Inc. of our report dated April 23, 2008, relating to our audits of the financial statements of Titan Machinery Inc. as of January 31, 2008 and 2007, and for each of the years in the three year period ended January 31, 2008.

We also consent to the reference to our firm under the caption "Experts" in this Registration Statement.

/s/ Eide Bailly LLP

Minneapolis, Minnesota

May 2, 2008
